



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
Annual Report 2017

March 26, 2018
General Assembly Meeting
2017 Fiscal Year

Registered Capital
TL 20.000.000

Issued Capital
TL 10.650.794



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MESSAGE FROM THE BOARD OF DIRECTORS

Dear Shareholders,

Since the 2008 financial crisis, the world economy had a large-scale recovery for the first time in 2017. In spite of the geopolitical risks in the Middle East and Pacific regions, with regards to global economy, 2017 was a better year than expected. An overall recovery resulting from both the developed and developing countries was realized for the world economy.

While the global economy showed a growth of approximately 3 %, developed countries achieved a growth of 2,3 %, and the developing countries of 4,3 %. As the American economy grew 2,3 %, China grew 6,8 %, the Euro region that for years showed a very low growth performance achieved 2,4 % and Japan grew 1,7 %.

The growth performance of the world economy is expected to continue similarly in 2018. The increase in consumer confidence all over the world will continue to support growth. The rate of unemployment in the US is approaching the employment level as the increase in inflation continues. In parallel to the strong progress in economy, FED, the US Federal Reserve is expected to continue to increase interest rates. On the other hand, in line with the enactment of the tax package, a large part of the funds kept abroad by American companies are expected to return to the country. Under such circumstances, the borrowing possibilities of developing countries from international money markets will decrease and the increase in borrowing costs will be inevitable.

Turkish economy, in line with the world economy, performed above expectations in 2017 and grew about 7 %. While the rate of budget deficit to GNP was realized as 1,5 %, the rate of unemployment continues to be around 10,3 %. The rate of the current accounts deficit, which emerged as a result of the high rate of growth to GNP has risen to 5,5 %. The negative effect of the rise in exchange rates on inflation developed in 2017 and the inflation reached 11,92 % in TÜFE.

Prioritization of structural reforms, initially education and law, is essential to increase Turkey's international competitive power. If structural reforms are concentrated on, Turkish economy will continue its high performance in 2018 and later. Turkish economy is expected to grow 5 % in 2018.

The construction sector has always been one of the leading sectors of the Turkish economy due to the range of sectors it influences and the high rate of employment potential. In 2017, with the effect of the reduction in VAT rates, housing sales increased around 5% and reached 1,4 million sales. In line with the increase in housing sales, the increase in real estate property stocks has continued and reached an important amount.

Our company has sold all housing present in its stocks in 2017 and has continued to work on developing new projects. In addition to this, it has continued to achieve rental income from highly prestigious real estate that we added to our portfolio in previous years.

We thank all our employees for their devoted work and you, our valuable Partners who always gave us full support.

We greet your valuable Committee respectfully with these feelings and thoughts and wish for a successful year.

Board of Directors



BOARD OF DIRECTORS AND AUDITORS

<u>Board of Directors</u>	<u>Duty</u>	<u>Commencement Date of Duty</u>	<u>Expiry Date of Duty</u>
Mustafa Filiz	Chairman	25.03.2016	25.03.2019
Ahmet Önder Kazazoğlu	Vice Chairman	25.03.2016	25.03.2019
Mehmet Alper Kaptanoğlu	Director	25.03.2016	25.03.2019
Mehmet Ahkemoğlu	Director	25.03.2016	25.03.2019
Hilmi Önder Şahin	Director	25.03.2016	25.03.2019
Sarper Volkan Özten	Director (Independent)	25.03.2016	26.03.2018
Kudret Vurgun	Director (Independent)	25.03.2016	25.03.2019

Members of the Board of Directors don't have any executive function in the Company.

Auditor

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited)	28.03.2017	26.03.2018
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Independent Auditor

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited)	28.03.2017	26.03.2018
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Powers and Limits of Members of the Board of Directors

The Chairman and Directors are having the power and responsibility in accordance with the Turkish Commercial Legislations and Company's Articles of Association.



INFORMATION REGARDING MEMBERS OF THE BOARD

Mustafa FILİZ

Chairman of the Board of Directors

Filiz was born in Çorum in 1960. In 1982, he graduated from Istanbul University, Faculty of Economics. In 1982, he started working as Assistant Tax Inspector on the Board of Tax Inspectors of the Ministry of Finance and was appointed as Tax Inspector in 1985.

In 1989, he was sent to England by the Ministry of Finance for a year. In 1992, Filiz was appointed Chief Tax Inspector. As working as Deputy Chairman of the Istanbul Group of the Board of Tax Inspectors he resigned in 1995 and joined the Alarko Group of Companies.

Mustafa Filiz who is presently the Senior Vice President of Financial Affairs of the Alarko Group of Companies is also a member of the Board of various companies of the Group.

Mustafa Filiz is married and has one child. He speaks English.

Mustafa Filiz does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

Ahmet Önder KAZAZOĞLU

Vice Chairman of the Board

Kazazoğlu was born in Kilis in 1953. In 1975, he graduated from the Mechanical Engineering Faculty of METU. In 1977, he completed his Master's Degree at the same faculty.

Kazazoğlu joined the Alarko Group of Companies in 1979. He worked as administrator on various projects of the company both at home and abroad. Kazazoğlu is the Senior Vice President of the Altek Alarko Elektrik Santralleri Tesis, İşletme ve Ticaret A.Ş. since 2013 and a member of the Board in various companies of the Group.

Kazazoğlu is married and has two children. He speaks English.

Ahmet Önder Kazazoğlu does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

Mehmet Alper KAPTANOĞLU

Member of the Board

Kaptanoğlu was born in Borçka in 1950. In 1973, he graduated from ITU Faculty of Mechanical Engineering.

Kaptanoğlu joined the Alarko Group of Companies in 1973 and held managerial positions in various companies of the Group. He has been working as Deputy Chief Executive Officer of Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. since 1998. He is a Board member in various companies of the Group.

Kaptanoğlu is married and has two children. He speaks English.

Mehmet Alper Kaptanoğlu does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

Mehmet AHKEMOĞLU

Member of the Board

Ahkemoğlu was born in Ankara in 1964 and graduated from Ankara University, Faculty of Political Sciences, School of Economics in 1986. In 1996, he completed his Master's Degree in International Accounting and Auditing at Illinois University.

In 1986, Ahkemoğlu started working at the Ministry of Finance as Assistant Tax Inspector, in 1989 as Tax Inspector, in 1997-2004 as Department Head on the Revenues Administration of the Ministry of Finance, and in 2005 as Department Head on the Department of Revenues Management of the Revenues Administration. He resigned at the end of 2005 and joined the Alarko Group of Companies in 2006. At present he is the Senior Vice President of Auditing of the Alarko Group of Companies. Ahkemoğlu who is also a member of the Board of various companies within the Alarko Group. He speaks English.

Mehmet Ahkemoğlu does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

**Hilmi Önder ŞAHİN*****Member of the Board***

Şahin was born in Ayvalık in 1948. He graduated from the Mining Department of the Engineering Faculty of METU in 1970 and completed his graduate studies at the same faculty in 1972.

Şahin started to work at Alarko as an Instrumentation Engineer in 1975. This was followed by managerial positions in various companies of the Group. Şahin has been General Manager of Alarko Carrier Sanayi ve Ticaret A.Ş. since 1995. He is also a member of the Board in various companies of the Group.

Şahin is married and has two children. Şahin speaks English.

Hilmi Önder Şahin does not qualify as independent director according to the CMB's Communiqué Numbered II-17.1.

Sarper Volkan ÖZTEN***Independent Member of the Board***

Özten was born in Trabzon in 1958. He graduated from Istanbul University, Faculty of Economics in 1983. He started his business life at Emlak Bankası in 1984-1987 and worked at İktisat Bankası in the years 1987-1990. He was General Manager at Öncü Menkul Değerler between 1990 and 1997. He worked as General Manager and Chairman of the Board at Finans Yatırım in the years 1997-2007. Özten was a member of the Auditing Board of Ingbank and its subsidiaries in 2008-2013 and has been a Consultant to the Board at Fibabank since 2013.

Sarper Volkan Özten who is married and has two children speaks English.

Sarper Volkan Özten qualifies as independent director according to the CMB's Communiqué Numbered II-17.1.

Kudret VURGUN***Independent Member of the Board***

Kudret Vurgun was born in Istanbul in 1967. He graduated from Istanbul University Faculty of Management in 1989. He worked in various positions including 18 years as Quotations Manager at the Istanbul Stock Exchange (Borsa Istanbul) from 1990 to 2012. On leaving the Istanbul Stock Exchange he worked as an independent consultant in the area of public offering and corporate financing and as Independent Board Member at a publicly held company. Vurgun worked as Board Member at KOTEDER (The Association of Listed Companies' Executives) in 2013-2016. He has numerous articles, seminars and books published in the areas of the Capital Market and Stock Exchange and finance. Vurgun speaks English.

Kudret Vurgun qualifies as independent director according to the CMB's Communiqué Numbered II-17.1.



AGENDA OF THE ANNUAL GENERAL ASSEMBLY MEETING OF MARCH 26, 2018

1. Opening and moment of silence.
2. Deliberations and decision on the election of the Presiding Committee.
3. Deliberations and decision to authorize the Presiding Committee to sign the minutes of the General Assembly Meeting.
4. Reading and deliberation of the Annual Report of the Board of Directors, Auditor's Report and Independent Auditor's Report for the year 2017.
5. Reading, discussion and approval of the Statements of Financial Position and Statements of Comprehensive Income of 2017.
6. Deliberations and resolution for the acquittal of the Members of the Board of Directors for the activities in year 2017.
7. Deliberations and resolution on the proposal of the Board of Directors for the profit distribution of the year 2017.
8. Deliberations and decision on the election of the Board of Directors and determination of the salaries and terms of office of the members.
9. Deliberations and resolution regarding vesting the power set out in articles 395 and 396 of the Turkish Commercial Code to the members of the Board of Directors.
10. Presenting information to General Assembly on procedures indicated in articles 1.3.6 of the "Corporate Governance Principles" in the annex of the Communiqué numbered II-17.1 of the Capital Market Board.
11. Deliberations and decision concerning the signing of a contract for the auditing of the company's accounts and operations for the year 2018 by an Independent Auditing Company selected by the Board of Directors in accordance with the Capital Markets Regulations, Turkish Commercial Code and approval of the draft of the contract.

Board of Directors



ANNUAL REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

We hereby present the Annual Statement of Financial Position, Statement of Comprehensive Income and other financial statements which reflect the results of our company's activities in 2017 for your evaluation and criticism.

- 1) Our annual report covers the period between January 1, 2017 and December 31, 2017.
- 2) The members of the Board and the Statutory Auditors during 2017 are their terms of office are presented on page 4.
- 3) The Board of Directors convened 10 times during the term. All members have attended to the meetings held during the period. Board decisions have been taken unanimously. Therefore, there is no record of dissenting votes.
- 4) The company's registered capital ceiling in 2017 was TL 20.000.000.
- 5) Our issued capital is TL 10.650.794 and our net profit for the period TL 152.357.089.
- 6) The rate of participation to our Ordinary General Assembly Meeting held on March 28, 2017 was 55,82 %. The shareholders that hold more than 10 % of our capital are; Alarko Holding A.Ş. with 16,42 % of the shares and Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. with 34,78 % of the shares. 48,77 % of the capital is offered to the public.

In the last three years of activity a cash dividend of 47 % was paid in 2014, a cash dividend of 63 % was paid in 2015 and a cash dividend of 100 % was paid in 2016.

The proposal for profit distribution for the year 2017 submitted by the Board of Directors to the approval of the General Assembly is on page 19 of the report. At the time this report was written, the nominal value of TL 1 of our share certificate registered with the Borsa İstanbul , where their transaction is carried out, was TL 52,00.

- 7) No donations were made to foundations and associations in 2017.
- 8) There are no important lawsuits brought against our company which could impinge on its financial status or activities of the company as of 31 December 2017.
- 9) Shareholders who control the management, members of the board of directors, top executives and their spouses and blood and in-law relatives up to and including second kin have not executed any transaction which may lead to conflict of interest with the Company or its affiliates. Members of the Board have no transactions of their own or on behalf of others that could be within the scope of the noncompetition covenant.
- 10) Footnote 28 to the financial statements contains information related to checking compliance with portfolio limitations.



GENERAL INFORMATION REGARDING OUR ACTIVITIES

Our company founded to invest in real estate and real estate projects, rights based on real estate, funds and capital market instruments, continues to develop projects managed by modern organizations in line with an understanding of contemporary urbanization.

Our company has earned a rightful distinction with projects designed and built with recreation areas, complete infrastructure and managed by modern organizations for the high and middle income groups. The Alkent brand has left its mark on the construction sector as the symbol of quality and a privileged life style.

All of the few remaining mansions of the Lake Mansions that constitute the last phase of the Alkent İstanbul 2000 project in Büyükçekmece, which is a highly prestigious living center with its environmental landscaping, community facilities and its private security services thanks to being a single lot, were sold in 2017. We also continue to work on project development for our lot in Maslak.

Our feasibility studies in big cities and particularly İstanbul were maintained in 2017. Taking into consideration the excess supply in the housing sector, we plan to materialize our new projects when the conjuncture is favorable.

Our company has added many high quality real estate in its portfolio to achieve rental income in the previous years. Following are the highly prestigious real estate that were added to our portfolio in the previous years for this purpose: the 5-star Hillside Beach Club Holiday Village located at Kalemaya Bay, Fethiye, established on a lot of 100.037 m², with 23.922 m² of indoor area and a bed capacity of 781, 13.794 m² of factory premises and facilities on a lot of 13.503 m² in Eyüp, İstanbul, 39 shops in the Alkent Etiler Shopping Center in Etiler, İstanbul, built on a lot of 4.233 m², the 7-storey Alarko Business Center on Necatibey Caddesi, Karaköy, İstanbul, with 1.730 m² of usage area, the 750 m² Alarko-Dim Business Center comprising of 3 shop floors and 3 office floors located in Tepebaşı, İstanbul, 10 shops with a total of 784 m² at Alkent 2000 in Büyükçekmece, İstanbul, the 6-storey Alarko Business Center of 1.943 m² in Çankaya, Ankara.

Stable rental income from our high-quality real estate portfolio will continue increasingly in 2018 as well.

Thanks to our strong equity capital and liquidity structure, our company has obtained a high financial return in 2017 as well as by investing the resources allocated for new projects in the monetary and capital markets.

ADDITIONAL INFORMATION REGARDING OUR ACTIVITIES

- 1) Our Company had no activities related to Research and Development in the financial term of 2017.
- 2) Information regarding the internal control system of our company and its internal and external auditing activities: Our Company conforms to the principles stated in the Corporate Governance Principles. Hence, an "Auditing Committee" was constituted within the Board of Directors and the committee's work principles were determined by the Board. The results of the internal auditing reports drawn as a result of the inspections carried out in accordance with the internal control system set up and the audit reports drawn at the end of inspections carried out by the independent auditing companies are followed by the committee and reported to the Board. The financial statements showing the results of the activities of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. for the year 2017 have been subject to independent auditing by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited). Both internal auditing and independent auditing were conducted twice within the financial period of 2017 and no adverse case was determined. Neither public nor special



inspection was conducted within the term. The financial statements of the company were examined by the Auditing Committee and it was determined that they reflected the financial status of the company correctly, and were in accordance with the records and that the results of 2017 were in compliance with the relevant laws and the Articles of Association.

- 3) Direct participations and share ratios of are company are as follows. The company has no mutual participation exceeding 5 %.

Subsidiaries	Declared Capital (TL)	Share (TL)	Share (%)
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	172.687.080	1.196	0,00
Alarko Konut Projeleri Geliştirme A.Ş.	22.193.713	143	0,00
Alarko Holding A.Ş.	223.467.000	608.222	0,27

Information regarding our partnership ratios in our shareholdings as of 31 December 2017 and the dividends we have accumulated in 2016 and 2017 are given in note numbers 4 and 19 to the Financial Statements.

- 4) Our Company does not possess any own share.
- 5) As there is no practise by the Company and the members of the Board of Directors against to the applicable laws and regulations, there is neither any administrative nor judicial litigation against the Company and the members of the Board of Directors.
- 6) Objectives determined in former terms have been attained and there are no matters that have not been implemented in the decisions taken at the General Assemblies of the Company.
- 7) No extraordinary General Assembly was held during the term.
- 8) Our company has no spending within the social responsibility Project. Social contributions are made through the GYO (Real Estate Investment) Association and Alarko Educational Cultural Foundation.
- 9) Our company is a dependent company of Alarko Holding A.Ş. as defined in Turkish Commercial Code Article 195 Paragraph 1. Our company has carried out some transactions of goods and services with the parent company and its affiliates. All aforesaid transactions are conducted in accordance with arm's length principle.

No legal action was taken by our Company in favor of the parent company or its affiliates under directives of the parent company. Therefore, no measures were taken or avoided to be taken in favor of the parent company or its affiliates during the past year.

All business activities of our Company performed with the parent company and its affiliates are in total conformity with law and regulations and also with the arm's length principle, and therefore no compensation is needed for aforesaid transactions according to Turkish Commercial Code Article 199 whatsoever.

- 10) No significant incident has occurred since end of the past year until the date of report, which can affect rights of shareholders, creditors and the other related third parties.
- 11) There have been no legislative amendments that can seriously affect the Company's activities within the term.
- 12) Conflict of interest does not exist between the Company and investment consulting institutions as well as rating institutions which render services to the Company.



13) 9 special case announcements were made during the year. No additional explanation was requested.

FINANCIAL RIGHTS GRANTED TO BOARD MEMBERS AND TOP EXECUTIVES

Except for the Independent Members of the Board, no financial rights such as honorariums, fees, bonuses, premiums, profit share are granted to Board Members. The gross total of fees and similar financial rights provided to the Independent Board Members and top executives in 2017 was TL 1.306.605.

There are no allowances, travel, accommodation and representation expenses and real and financial means, insurances and any similar collaterals given to the Members of the Board of Directors.

INFORMATION ABOUT HUMAN RESOURCES

The average number of employees on the 01.01.2017 - 31.12.2017 term is 6.

As of 31.12.2017, the company has calculated TL 310.025 employment termination indemnities with full provision.

All employees are treated fairly and equally in terms of training and promotion opportunities, training plans and policies aiming at improving the knowledge, skills and experience of the employees are developed. The employees receive training regularly during the year.

Job descriptions are developed for every position. Performance and reward criteria are determined on a yearly basis and are then implemented upon agreement with the employees.

Health insurance, transportation, lunch facilities are provided to employees by company.

A safe working environment is provided to the personnel and it is improved continuously.

CURRENT CAPITAL AND PARTNERSHIP STRUCTURE

Shareholders	Share Amount (TL)	Number of shares and votes	Ratio (%)	Number of (*) A Group shares and votes	Number of (**) B Group shares and votes	Number of C Group shares and votes
Alarko Holding A.Ş.	1.748.259	174.825.881	16,42	16.467.000	–	158.358.881
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	3.704.641	370.464.092	34,78	–	23.500.000	346.964.092
Other	3.453	345.271	0,03	33.000	–	312.271
Public Offering	5.194.441	519.444.156	48,77	–	–	519.444.156
Total	10.650.794	1.065.079.400	100	16.500.000	23.500.000	1.025.079.400

(*) A Group Shareholders have right of nomination of 4 candidates at election of members of Board.

(**) B Group Shareholders have right of nomination of 3 candidates at election of members of Board.



There are no other concessions except for that of "Nomination to the Board" as stated above.

There has been no change in the capital and partnership structure of the company in 2017.

PROFIT DISTRIBUTION POLICY

Our Company distributes its profits within the frame of Capital Market Legislation, Turkish Commercial Code, Tax Legislation, other concerned legislation and the provisions stipulated under the Articles of Association of the Company.

The amount of profit to be distributed is determined by taking into consideration the funds that may be needed in line with the investment policy and other cash needs of the company.

In principle, our company will distribute every year at least 5 % of its distributable profit for the term to its shareholders in cash as dividend or as non-paid by adding it to the capital. In case of occurrence of extraordinary economic circumstances, a dividend at a lower rate than the above indicated one may be distributed or no dividend may be distributed. Such a case is announced to the public with a special case announcement containing a justification by passing a resolution from the Board of Directors.

The Board of Directors passes a resolution containing its proposal for the distribution of profit every year within the frame of profit distribution policy of the company and presents same to the approval of the General Assembly.

It is essential that the distribution of dividend is started on 31st of May every year in case the proposal of the Board of Directors related to the distribution of profit is approved by General Assembly. General Assembly of Shareholders may determine the date of distribution of profit provided that such date shall not be later than the last day of current accounting period during which the meeting is held.

There is no privileges in profit distribution.

Our Company distributed a profit of TL 10.650.794 in 2017.

CHANGES MADE IN THE ARTICLES OF ASSOCIATION DURING THE TERM AND THE REASON

There were no amendments made to the Articles of Association within the term.

RISKS AND EVALUATION OF RISKS BY THE MANAGING BODY

An Early Detection of Risk Committee consisting of 4 members has been established to determine risks likely to be encountered and to make recommendations to the Board in order to set up an effective risk management system and their operation principles have been approved by the Board.

The Board set up a risk management mechanism. All possible risks likely to be encountered by the company are reviewed periodically by the Committee of Early Identification of Risks consisting of Board members. The Committee convened 6 times within the term with full participation and the report was presented to the Board.

Furthermore, the Auditing Committee, Committee of Early Identification of Risks and the Board determine the measures to be taken and instruct the managers of the company by way of the General Manager.



FINANCIAL INDEXES

According to the independently audited financial statements prepared as of December 31, 2017 financial indexes are as follows.

Financial Indexes	Year 2017	Year 2016
Net Sales	TL 40.918.147	TL 23.791.105
Net Profit for the Period	TL 152.357.089	TL 135.712.239 TL
Current Ratio	72,03	94,96
Liquidity Ratio	71,38	91,00
Dept Equity Ratio	0 %	0 %
Total Assets	TL 926.964.533 TL	TL 780.715.559

Analysis of the basic ratios regarding the term of 2017 shows that our Company's net working capital is adequate, that it can pay all its short term liabilities in cash or with economic assets that can be liquidated in a short period and also that its operating activities are financed with its equities. The Company's paid-in capital is TL10.650.794, and it is in a position to pay its depts. The financial structure of the company is propitious to maintaining its activities. Hence, there are no precautions taken concerning this issue.

As of 31.12.2017, the number of shares at par value of TL 1,00 is 10.650.794 and the current value per share is TL 87.

Information regarding assets in our portfolio is summarized below :

i – Real Estates

Real Estates, Real Estate Projects, Chattel Real		Appraisal Date	Appraisal Value (TL)	
			VAT excluded	VAT Included
- Land in Büyükçekmece Eskice Village	Büyükçekmece / İstanbul, 3 parcels 622.651,10 m ² .	28.12.2017	66.517.000	78.490.060
- Maslak Land	Sarıyer / İstanbul, 2 parcels, in Maslak, on the Şişli - İstinye Büyükdere motorway 18.961,90 m ² .	28.12.2017	81.725.000	96.435.500
- İstanbul Şişhane Business Center	Beyoğlu / İstanbul, gross 730 m ² , 3 floors offices, 1 floor / entrance store, with elevator, generator, air conditioning and floor heating .	28.12.2017	8.895.000	10.496.100
- İstanbul Karaköy Business Center	Karaköy / İstanbul, gross 1.730 m ² , single block, elevator, fuel-oil heating, ½ bought in 1997, ½ bought in 1999.	28.12.2017	10.708.000	12.635.440
- Ankara Çankaya Business Center	Çankaya / Ankara, gross 1.887 m ² , single block, 6 storeys, elevator, chiller air conditioning, natural gas heating.	28.12.2017	6.897.000	8.138.460



Real Estates, Real Estate Projects, Chattel Real		Appraisal Date	Appraisal Value (TL)	
			VAT excluded	VAT Included
- Fethiye Hillside Beach Club Holiday Village	10.128,09 m ² , in Fethiye / Muğla, Parcel 3 with 1. Class Holiday Village in Kaya Village, Kalemya Bay.	28.12.2017	41.525.000	48.999.500
- Fethiye Hillside Beach Club Holiday Village (usufruct)	Fethiye / Muğla, 2 parcels, 84.762 m ² , usufruct for parcel 1 in Kaya Village, Kalemya Bay.	28.12.2017	264.475.000	312.080.500
- Factory and land in Eyüp - Topçular	Eyüp / İstanbul, 15.675 m ² , facilities located in Topçular neighborhood. Door no. 8, block 247, parcel 56.	28.12.2017	64.910.000	76.593.800
- 39 shops in Etiler Alkent Housing Estate	39 shops in Etiler Alkent Shopping Center in Beşiktaş, İstanbul.	28.12.2017	28.240.000	33.323.200
- 10 shops in Büyükçekmece Alkent 2000 Yeditepe Housing Estate	10 shops in Büyükçekmece Alkent 2000 Shopping Center in Büyükçekmece, İstanbul.	28.12.2017	9.740.000	11.493.200
TOTAL			583.632.000	688.685.760

ii – Money and Capital Market Instruments

Type	Total (TL)	Ratio (%)
Government Bonds and Bills	304.929.466	79,45
Foreign Currency Time Deposits	72.493.678	18,89
Share Certificates	4.415.690	1,15
TL Time Deposit	1.025.857	0,27
Mutual Funds	898.686	0,23
TL Deposit	47.272	0,01
TOTAL	383.810.649	100

iii – Participations

Type	Total (TL)	Ratio (%)
Participations	1.339	100

INFORMATION REGARDING PORTFOLIO ASSETS LEASED

Information Regarding Portfolio Assets Leased	Insurance Value (TL)	Rent Appraisal Date	Rent Appraisal Value (TL)	Monthly Rent (TL)	Leasee	Lease Start	Lease Term
- İstanbul Şişhane Business Center	600.000	28.12.2017	36.000	-	Not rented as of 31.12.2017	-	-
			60.550	61.118			
			6.100	5.500	Çırakoğlu Mimarlık Tasarım ve Dış. Ltd. Şti.	01.10.2017	1 year
			6.100	6.850	Evo Bilgi Teknolojileri San. Tic. Ltd. Şti.	01.07.2017	1 year
- İstanbul Karaköy Business Center	1.400.000	28.12.2017	6.100	4.500	Evo Bilgi Teknolojileri San. Tic. Ltd. Şti.	01.03.2017	1 year
			6.100	4.408	Züccacıeciler Derneği İşletmesi	01.11.2017	1 year
			2.050	1.710	Benim Ev ve Mutfak Eşyaları San. Tic. A.Ş.	01.03.2017	1 year
			34.100	38.150	Mitte Turizm A.Ş.	01.09.2017	1 year
- Ankara Çankaya Business Center	1.600.000	28.12.2017	48.575	62.329	Alarko Carrier San. ve Tic. A.Ş. - Ankara Şb.	14.12.2016	2 years
- Factory in Eyüp - Topçular	2.200.000	28.12.2017	82.760	90.000	Karyer Isı Transfer San. ve Tic. Ltd. Şti.	01.01.2018	1 year
- 10 shops in Büyükdere Alkent 2000	940.000	28.12.2017	50.936	62.995			
1	686.898	28.12.2017	38.295	52.121	Migros Ticaret A.Ş.	01.01.2014	7 years
2	63.146	28.12.2017	2.993	1.650	Banu Eraslan	01.01.2018	1 year
3	41.279	28.12.2017	2.243	1.640	Banu Eraslan	01.09.2017	1 year
4	21.892	28.12.2017	1.090	1.477	Yavuz Önder	01.11.2017	1 year
5	21.388	28.12.2017	1.090	1.300	Lale Burcu Tan	01.05.2017	1 year
6	20.873	28.12.2017	1.090	1.415	Mürsel Küçük	01.03.2017	1 year
7	20.873	28.12.2017	1.090	848	Mosino Kuaforiük Hizmetleri ve Ticaret Ltd. Şti.	01.06.2017	1 year
8	20.873	28.12.2017	978	848	Mosino Kuaforiük Hizmetleri ve Ticaret Ltd. Şti.	01.06.2017	1 year
9	21.389	28.12.2017	978	848	Mosino Kuaforiük Hizmetleri ve Ticaret Ltd. Şti.	01.06.2017	1 year
10	21.389	28.12.2017	1.089	848	Mosino Kuaforiük Hizmetleri ve Ticaret Ltd. Şti.	01.06.2017	1 year





Information Regarding Portfolio Assets Leased	Insurance Value (TL)	Rent Appraisal Date	Rent Appraisal Value (TL)	Monthly Rent (TL)	Leasee	Lease Start	Lease Term
- 39 shops in Etiler Alkent Shopping Center	2.800.000	28.12.2017	182.618	205.216			
1 F1-01	182.229	28.12.2017	11.856	14.632	Migros Ticaret A.Ş.	01.02.2010	10 years
2 F1-02	240.973	28.12.2017	15.678	19.349	Migros Ticaret A.Ş.	01.02.2010	10 years
3 F1-03	158.251	28.12.2017	10.296	12.707	Migros Ticaret A.Ş.	01.02.2010	10 years
4 F2-01	53.761	28.12.2017	3.526	3.139	Het Otomasyon Görüntü ve Ses Sistemleri Elektronik San. ve Ticaret Ltd. Şti.	01.01.2018	1 year
5 F2-02	56.261	28.12.2017	3.690	4.090	Terapist Veteriner Tıp Merkezi Ltd. Şti.	01.09.2017	1 year
6 F2-03	56.261	28.12.2017	3.690	3.840	Alkent Kuru Temizleme San. İç ve Dış Tic. Ltd. Şti.	01.12.2017	1 year
7 F2-04	56.261	28.12.2017	3.690	3.932	Terapist Veteriner Tıp Merkezi Ltd. Şti.	01.07.2017	1 year
8 F2-05	58.762	28.12.2017	3.854	3.932	Terapist Veteriner Tıp Merkezi Ltd. Şti.	01.07.2017	1 year
9 F2-06	56.261	28.12.2017	3.690	10.696	Aycin Eczanesi	01.06.2017	1 year
10 F2-07	21.442	28.12.2017	1.406	5.095	Deniz 35 Gıda Pazarlama Ticaret Ltd. Şti.	01.08.2017	1 year
F2-07	34.820	28.12.2017	2.284	-	Not rented as of 31.12.2017	-	-
F2-08	34.048	28.12.2017	2.233	-	Not rented as of 31.12.2017	-	-
F2-08	20.964	28.12.2017	1.375	4.982	Deniz 35 Gıda Pazarlama Ticaret Ltd. Şti.	01.08.2017	1 year
F2-11	56.518	28.12.2017	3.696	3.420	Plaza Yapı Malzemeleri İthalat ve Ticaret A.Ş.	01.08.2017	1 year
F2-12	56.518	28.12.2017	3.696	3.420	Plaza Yapı Malzemeleri İthalat ve Ticaret A.Ş.	01.08.2017	1 year
F2-13	56.518	28.12.2017	3.696	2.500	Ece Vahapoğlu	01.01.2018	1 year
F2-14	57.803	28.12.2017	3.780	2.175	Erhan Yılmaz	01.03.2017	1 year
F2-15	7.207	28.12.2017	471	421	Het Otomasyon Görüntü ve Ses Sistemleri Elektronik San. ve Ticaret Ltd. Şti.	01.01.2018	1 year
F2-15	50.596	28.12.2017	3.309	3.500	Tanrıverdi İnş. Tah. İnş. Tekstil ve Tic Ltd. Şti.	01.08.2017	1 year
F2-16	57.803	28.12.2017	3.780	3.375	Het Otomasyon Görüntü ve Ses Sistemleri Elektronik San. ve Ticaret Ltd. Şti.	01.01.2018	1 year
F3-01	35.246	28.12.2017	2.305	3.410	Duygu Akay	01.09.2017	1 year



Information Regarding Portfolio Assets Leased		Insurance Value (TL)	Rent Appraisal Date	Rent Appraisal Value (TL)	Monthly Rent (TL)	Leasee	Lease Start	Lease Term
	F3-01	33.644	28.12.2017	2.200	2.300	Tülin Özdemir	01.07.2017	1 year
	F3-01	32.001	28.12.2017	2.093	2.000	Neoper Tuhafiyeye Kozmetik Paz.veTic.Ltd. Şti.	01.02.2018	1 year
	F3-01	14.714	28.12.2017	962	737	Berrin - Bünyamin Özgültekin	01.10.2017	1 year
19	F3-02	57.803	28.12.2017	3.780	2.050	Emor Emlak Org. Kırtasiye Tic. Ltd. Şti.	01.03.2017	1 year
20	F3-03	57.803	28.12.2017	3.780	2.050	Emor Emlak Org. Kırtasiye Tic. Ltd. Şti.	01.03.2017	1 year
21	F3-04	57.803	28.12.2017	3.780	4.061	E-Lab Sağlık Hizmetleri A.Ş.	01.07.2017	1 year
22	F3-05	53.949	28.12.2017	3.510	3.790	E-Lab Sağlık Hizmetleri A.Ş.	01.07.2017	1 year
23	F3-06	107.898	28.12.2017	7.020	13.936	Akbank A.Ş.	01.04.2014	5 years
24	F3-07	107.898	28.12.2017	7.020	6.314	Gülşay Egemen	01.11.2017	1 year
25	F3-08	53.949	28.12.2017	3.510	3.157	Gülşay Egemen	01.11.2017	1 year
26	F3-09	53.949	28.12.2017	3.510	3.200	STR Film Yapımcılığı Eğitim Turizm Ltd. Şti.	01.03.2017	1 year
27	F3-10	53.949	28.12.2017	3.510	2.500	Volkan Akçuray	01.02.2018	1 year
28	F3-11	53.949	28.12.2017	3.510	2.900	Duru Otomotiv Turizm Tic. Ltd. Şti.	01.04.2017	1 year
29	F3-12	45.048	28.12.2017	2.931	2.256	Berrin - Bünyamin Özgültekin	01.10.2017	1 year
	F3-12	19.702	28.12.2017	1.282	987	Berrin - Bünyamin Özgültekin	01.10.2017	1 year
	F3-12	43.149	28.12.2017	2.807	2.130	Santeks Saner Tekstil Ticaret Ltd. Şti.	01.03.2017	1 year
30	F4-01	25.502	28.12.2017	1.659	1.750	Gülşay Egemen	01.08.2017	1 year
	F4-01A	26.049	28.12.2017	1.695	1.990	Osman Gül	01.10.2017	1 year
31	F4-02	26.857	28.12.2017	1.747	2.280	Gülşay Egemen	01.01.2018	1 year
	F4-02A	27.093	28.12.2017	1.763	1.084	Rota Kafe İşletmeleri Tur. İnş. San. Tic. Ltd. Şti.	01.03.2017	1 year
32	F4-03	29.943	28.12.2017	1.948	2.042	Bambino Oyuncak Sanayi Ticaret Ltd. Şti.	01.03.2017	1 year
	F4-03A	31.199	28.12.2017	2.030	1.248	Rota Kafe İşletmeleri Tur. İnş. San. Tic. Ltd. Şti.	01.03.2017	1 year
33	F4-04	25.760	28.12.2017	1.676	2.305	Mino Gıda Ticaret ve Sanayi Ltd. Şti.	01.11.2017	1 year
	F4-04A	28.189	28.12.2017	1.834	1.128	Rota Kafe İşletmeleri Tur. İnş. San. Tic. Ltd. Şti.	01.03.2017	1 year



Information Regarding Portfolio Assets Leased		Insurance Value (TL)	Rent Appraisal Date	Rent Appraisal Value (TL)	Monthly Rent (TL)	Leasee	Lease Start	Lease Term
34	F4-05	26.325	28.12.2017	1.713	6.429	Candostlar Kuaför Güzellik Salon İşl. Ltd. Şti.	01.06.2017	1 year
	F4-05A	27.625	28.12.2017	1.797	1.366	Akip Gıda Sanayi Ticaret A.Ş.	01.11.2017	1 year
35	F4-06	26.910	28.12.2017	1.751	6.572	Candostlar Kuaför Güzellik Salon İşl. Ltd. Şti.	01.06.2017	1 year
	F4-06A	28.238	28.12.2017	1.837	1.396	Akip Gıda Sanayi Ticaret A.Ş.	01.11.2017	1 year
36	F4-07	42.052	28.12.2017	2.736	2.079	Akip Gıda Sanayi Ticaret A.Ş.	01.11.2017	1 year
	F4-07A	13.096	28.12.2017	852	3.198	Candostlar Kuaför Güzellik Salon İşl. Ltd. Şti.	01.06.2017	1 year
37	F4-08	53.949	28.12.2017	3.510	2.667	Akip Gıda Sanayi Ticaret A.Ş.	01.11.2017	1 year
38	F4-09	53.949	28.12.2017	3.510	2.158	Rota Kafe İşletmeleri Tur. İnş. San. Tic. Ltd. Şti.	01.03.2017	1 year
39	F4-10	34.567	28.12.2017	2.249	1.383	Rota Kafe İşletmeleri Tur. İnş. San. Tic. Ltd. Şti.	01.03.2017	1 year
	F4-10A	16.986	28.12.2017	1.105	1.158	Bambino Oyuncak Sanayi Ticaret Ltd. Şti.	01.03.2017	1 year
- Fethiye Hillside Beach Club Holiday Village (*)		96.952.918	28.12.2017	18.445.000	19.274.334	Attaş Alarko Turistik Tesisler A.Ş.		
					19.199.334	Attaş Alarko Turistik Tesisler A.Ş.	21.04.2004	Unlimited
					75.000	Tanita Tasarım Organizasyon İnş. Taah. Ltd. Şti	06.04.2017	1 Season

Footnotes:

(*) The main operator of Hillside Beach Club Holiday Resort in Fethiye is Attaş Alarko Turistik Tesisler A.Ş. According to the operation contract, the annual rent income is minimum USD 2.582.000. This rent includes 2 shops within the Holiday Resort. Pursuant to the operation contract, the rent income from the said shops belongs to the operator. Leasing is done by our company and the rent earned from these shops is deducted from the main rent income of USD 2.582.000. Value appraisal report covers the entire facility, including these shops. Hillside Beach Club Holiday Resort in Fethiye has been rented for Turkish lira equivalent of US Dollar. Turkish lira value of the rent changes according to the change in the exchange rate. In addition to the annual fixed rent of USD 2.582.000, if the amount of land allocation fee paid in TL to the Ministry of Forestry for the facility, the rent for land paid in TL at 2 % of the operation income, and the annual gross operation profit of the operator exceed USD 3.500.000, 50 % of the sum in excess is added to the annual rent.



PROPOSAL FOR PROFIT DISTRIBUTION

We propose ;

- The profit for the period as in the financial statements presented to the approval of the General Assembly is TL 152.357.089. As the total of the first order general legal reserves set aside in previous years has reached the legal ceiling, therefore the first order general legal reserve not to be set aside,
- To distribute TL 15.337.144, from the net distributable profit of TL 152.357.089 for the term to shareholders as dividend,
- To set aside TL 1.480.460 out of the profit to be distributed as second order general legal reserves,
- To transfer the remaining sum to extraordinary reserves,
- To start profit distribution as of the 30th of May 2018.

Board of Directors

According to this and in accordance with the Capital Markets Regulations, the Articles of Association and other relevant laws, profit distribution is as follows :

Profit for the Period	TL 152.357.089
First Order General Legal Reserves (has reached the ceiling)	-
Net Distributable Profit for the Period	TL 152.357.089
Dividends to Shareholders (cash)	TL 15.337.144
Second Order General Legal Reserves	TL 1.480.460
Balance to be Transferred to Extraordinary Reserves.....	TL 135.539.485
Ratio of Dividends to Total Issued Capital	144,00 %
Ratio of Dividends to Net Distributable Profit	10,07 %



REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

PART I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Our Company has shown the necessary rigor for the application of the Corporate Governance Principles published by the Capital Markets Board. All the principles held compulsory in the Corporate Governance Communiqué have been applied by our Company. Since our company is in the third group, the exemption in the first clause of article 6 of the Communiqué has been applied and the independent board members have been determined as two members.

Many of the Corporate Governance Principles that are not compulsory have been applied, those not applicable have been explained. Explanations regarding the subject are given in their relevant sections. The Corporate Governance Committee is continuing its work.

PART II – SHAREHOLDERS

2.1. Unit in Charge of Relations with Shareholders

The duties of the unit in charge of relations with shareholders are carried out by the manager of the Investor Relations Department form within the company.

The manager of the Investor Relations Department is Metin Franko. The Manager holds Advance Level (Level 3) Licence of the Activities of the Capital Markets and the Corporate Governance Rating Licence.

The manager of the Investor Relations Department is responsible to General Manager Harun Hanne Moreno. The report regarding the activities conducted was presented to the Board of Directors on 16.01.2018.

Fatma Acar has been appointed to conduct the activities of the Investor relations Department.

For Communication :

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Fax : +90 212 261 84 31
E-mail : metin.franko@alarko.com.tr
fatma.acar@alarko.com.tr

Activities carried out during the term include the Coordination of the Corporate Governance Implementations, fulfilling the obligations arising from the Capital Markets Regulations and answering requests of investors. Questions of 25 investors have been answered during the year.

2.2. Exercise of Right to Obtain Information by the Shareholders

Our Company is very particular about every shareholder's right to information. All information and disclosures that can affect access to shareholder's rights are updated and presented to shareholders under "Investor Relations" in our company's web-site.

Questions of the shareholders commonly relate to investments, turnover, capital increase and dividend payments of the Company. Questions and answers given were communicated to the Board of Directors.

The Company's Articles of Association contain no provision regarding appointment of an special auditor. No request was made during the year for appointment of an special auditor.



2.3. General Assembly Meetings

The Ordinary Annual General Assembly meeting of the company was held at the company headquarters at Muallim Naci Cad. No. 69 Ortaköy, Istanbul, with a quorum of 55,82 %. The meeting was attended by representatives of the media.

In addition to the methods dictated by the legislation, announcement of the Ordinary General Meeting is made at least 3 weeks prior to the meeting using all means of communications including electronic communications so as to ensure notifying as many shareholders as possible. Invitation to the meeting was made at the Public Disclosure Platform (KAP), the web-site of the Company, the Turkish Trade Registry Gazette, and a newspaper with national circulation.

The media, stakeholders and the top and middle level executives of the Company have the right to attend the Ordinary General Assembly on condition complying with internal guidelines regarding the operating principles and methods of the General Assembly holding the meeting and participation.

The invitation, agenda, sample procurement, annual report, auditors' report, financial statements, profit distribution proposal by the Board of Directors are presented to shareholders at the company's headquarters prior to the general assembly meeting. Moreover, this information can be found in the "Investor Relations" link of our Company's web-site. The profit distribution proposal is disclosed to the public on the Public Disclosure Platform (KAP) before the General Assembly.

At the general assembly meetings, the shareholders exercise their right to ask questions and such questions are duly answered. No proposal was made other than by the major shareholders.

The minutes of the Ordinary General Assembly are open to all shareholders at the company headquarters. Moreover, the minutes of the General Assembly and the List of Participants are disclosed to the public on the Public Disclosure Platform (KAP) and in the "Investor Relations" link in our company's web-site after the meeting.

The Company's articles of association contain no provision regarding vesting the authority for making decisions on splitting, sale, purchasing and letting of assets in the general assembly.

The Company has not made any donations or aid during the term. Moreover, it has no spending within the framework of social responsibility projects. Social contributions are made by way of the foundation established by the GYO Association of which we are a member and the group of companies that are the main shareholders.

2.4. Voting Rights and Minority Rights

Voting rights bear no concession. Minority shares are not represented at the management. No cumulative voting is applicable. Voting rights are not determined at less than one twentieth of the capital by the Articles of Association.

The direct participations and the share ratio of our company are as stated below. The company has no mutual participation exceeding 5 %.



Subsidiaries	Declared Capital (TL)	Share (TL)	Share (%)
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	172.687.080	1.196	0,00
Alarko Konut Projeleri Geliştirme A.Ş.	22.193.713	143	0,00
Alarko Holding A.Ş.	223.467.000	608.222	0,27

2.5. Profit Share Rights

The company has no shares bearing dividend concession. Profit distribution is carried out within the period set forth in the applicable laws.

Our company has a profit distribution policy. This policy figures in our company's annual report, the report of compliance with Corporate Governance Principles and is announced to the public in the Company's web-site.

Our Company distributes its profits within the frame of Capital Market Legislation, Turkish Commercial Code, Tax Legislation, other concerned legislation and the provisions stipulated under the Articles of Association of the Company.

The amount of profit to be distributed is determined by taking into consideration the funds that may be needed in line with the investment policy and other cash needs of the company.

In principle, our company will distribute every year at least 5% of its distributable profit for the term to its shareholders in cash as dividend or as non-paid by adding it to the capital. In case of occurrence of extraordinary economic circumstances, a dividend at a lower rate than the above indicated one may be distributed or no dividend may be distributed. Such a case is announced to the public with a special case announcement containing a justification by passing a resolution from the Board of Directors.

The Board of Directors passes a a resolution containing its proposal for the distribution of profit every year within the frame of profit distribution policy of the company and presents same to the approval of the General Assembly.

It is essential that the distribution of dividend is started on 31st of May every year in case the proposal of the Board of Directors related to the distribution of profit is approved by General Assembly. General Assembly of Shareholders may determine the date of distribution of profit provided that such date shall not be later than the last day of current accounting period during which the meeting is held. There is no privileges in profit distribution.

In principle our company effects no advance payments within the year on dividend payments.

The proposal of the Board of Directors on the distribution of profit for the term has been presented to the shareholders at the General Assembly.

Our Company distributed a profit of TL 10.650.794 in 2017.

2.6. Transfer of Shares

Articles of Association of the Company contains no provision restricting transfer of shares.



PART III – PUBLIC INFORMATION AND TRANSPARENCY

3.1. Corporate Internet web-site and its contents :

Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. has a web-site. The Company's web-site address is www.alarkoyatirim.com.tr. Matters specified in the Corporate Governance Principles have been included in the web-site.

Information in the web-site is also given in English for the benefit of international investors. "Report on Compliance with Corporate Governance Principles of Capital Markets Board" which contains a number of links for the following headings may accessed from the "Investor Relations" link of the web-site.

The information listed in article 3.1 in Part 2 of the Corporate Governance Principles can be accessed through the links stated below.

LIST OF LINKS :

PART I – STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

PART II – SHAREHOLDERS

- 2.1. Unit in Charge of Relations with Shareholders
- 2.2. Exercise of Right to Demand Information by the Shareholders
- 2.3. General Assembly Meetings
- 2.4. Voting Rights and Minority Rights
- 2.5. Profit Share Rights
- 2.6. Transfer of Shares

PART III – PUBLIC INFORMATION AND TRANSPARENCY

3.1. Company's Web-site and its contents

- Trade Register Information
- Recent partnership and management structure
- Detailed information on preference stocks
- Current text of Company's Articles of Association including date and issue number of Trade Register Gazettes where amendments there to are published.
- Announcement of special cases
- Annual Reports
- Periodic Financial Reports
- Registration statements and public offering circulars
- Agendas of General Assembly Meetings
- Lists of Attendance and Minutes of General Assembly Meetings
- Specimen form for voting by proxy
- Specimen forms for compulsory information prepared in collection of share certificates or proxy by way of invitation
- Profit Distribution Policy
- Information Policy
- Remuneration Policy
- Minutes of Board Meetings where important decisions are taken which may effect the value of Capital Market Instruments
- Frequently asked questions (demands for information, questions and denunciations to the Company and their answers).
- Capital Market Movements



- Working Principals of Committees and its Members
- Continuous Information Form
 - Portfolio Data
 - Ratios According to the Total Asset Value
 - Members of the Board of Directors and General Manager
 - Purpose / Strategy of Investment
 - Articles of Association
 - Explanations
 - Financial Statements
 - Explanation of Special Cases
 - Real Estate Appraisal (Inspection) Reports

3.2. Annual Report

PART IV – OWNERS OF INTEREST

- 4.1.** Informing the Stakeholders
- 4.2.** Participation of Stakeholders in Management
- 4.3.** Human Resources Policy
- 4.4.** Rules of Ethics and Social Responsibility

PART V – BOARD OF DIRECTORS

- 5.1.** Structure and Composition of the Board of Directors
- 5.2.** Operational Principles of Board of Directors
- 5.3.** Number, Composition and Independence of Board of Director's sub-committees
- 5.4.** Risk Management and Internal Audit Mechanism
- 5.5.** Strategic Objectives of the Company
- 5.6.** Financial Rights Granted

3.2. Annual Report

The Annual Report contains the information stated in the Report on Compliance with Corporate Governance Principles.

PART IV - OWNERS OF INTEREST

4.1. Informing the Stakeholders

Owners of interest of the Company are regularly informed on matters of interest to them. Stakeholders have the possibility to convey operations of the company which do not comply with the legislation and are unethical to the Committee in charge of Auditing and the committee of corporate governance through investor relations department.

Employees of the Company are informed through annual meetings regularly held. In addition, a more extensive information activity is carried out through our web-site, e-bulletins, technical publications and books.

Our company works on a customer focused basis and measures and evaluates customer satisfaction regularly. Questions referred to our company are answered within 48 hours at the latest after sales.

4.2. Participation of Owners of Interest in Management

No particular model has been developed regarding participation of owners of interest in the Company's management.

Rights of owners of interest are protected by virtue of applicable legislation.



4.3. Human Resources Policy

The Human resources policy of the company is defined in the manual “Our Policy” issued annually and announced to the employees in annual meetings.

Recruitment criteria are determined in writing and are complied with. The physiological, psychological and intellectual characteristics required by each job are taken into consideration in the recruitment process. These characteristics are measured and evaluated by a written test. Following the initial evaluation by the human resources department, the candidate is interviewed by the manager of the particular unit to employ him / her.

All employees are treated fairly and equally in terms of training and promotion opportunities, training plans and policies aiming at improving the knowledge, skills and experience of the employees are developed. Employees receive training regularly every year.

Job descriptions are developed for every position. Performance and reward criteria are determined on a yearly basis and are then implemented upon agreement with the employees. The performance and evaluation system used in measuring and evaluating individual performance is taken into account during wage and career planning.

On the other hand, a certain number of personnel are granted “Golden Badge” as a reward of their outstanding performance. And employees winning the “Invention Prize” competition are also awarded. Thus, the creative personnel are motivated.

A safe working environment is provided to the personnel and improvements are made continuously.

4.4. Rules of Ethics and Social Responsibility

Rules of ethics approved by the Company’s Board of Directors, agreed by all Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. personnel and managers and defined in the Alarko Group of Companies Philosophy are summarized here below.

These rules are integrated to the policies, objectives, procedures and principles of Alarko.

- Act honestly in all business activities towards the government, clients, shareholders, personnel, partners and sub- and by- industries,
- Protect the environment and maintain the inter-company social balance,
- Orient the customers without forcing and give priority to their needs,
- Maintain high-quality; try to supply the best at the lowest price even when the customers are satisfied and contented with what is given already,
- Achieve the profits deserved by the shareholders under the current conditions,
- Give priority to teamwork as a corporation performing systematically on the basis of pre-defined procedures; share profit, loss and success and failure.

Our policies are shaped by this philosophy. And this philosophy is affixed at easily visible points in various units of our Company. In addition, all employees are informed through annual Policy Meetings and Our Policy Book published. Our existing and newly recruited personnel are trained on this philosophy and related rules regularly.

Our philosophy comprising these rules of ethics is also published in the in-company intranet system and the www.alarkoyatirim.com.tr web-site. All Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. employees are obliged to conform to these rules. Rules of ethics are followed-up by the superiors of all employees in the hierarchical order. Employees are obliged to notify the management of any act or behavior contrary to the rules of ethics immediately. The rules of ethics are published in the Report on Compliance with Corporate Governance Principles link of the web-site.



Any infraction of rules noticed, notified or suspected by the Board of Auditors, General Manager or other managers are reviewed by the Board of Directors or instructed to be reviewed by the Board of Auditors to ensure compliance therewith. Disciplinary sanctions are applied to doers of actually proven infractions.

Social contributions are made through the education foundation established by the GYO Association of which we are a member and the group of companies that our our main shareholders.

There is no litigation or warning filed against our Company either during the current year or in the past for damages on the environment.

PART V – BOARD OF DIRECTORS

5.1. Structure and Composition of Board of Directors

Board of Directors

Mustafa Filiz	Chairman
Ahmet Önder Kazazoğlu	Vice Chairman
Mehmet Alper Kaptanoğlu	Member
Mehmet Ahkemoğlu	Member
Hilmi Önder Şahin	Member
Sarper Volkan Özten	Member (Independent)
Kudret Vurgun	Member (Independent)

Members of the Board of Directors don't have any executive duties in the Company.

There are 2 independent members on the Board of Directors.

For election to the Independent Membership, a Nomination Committee has not been constituted among the members of our company's Board of Directors. Hence, the Corporate Governance Committee undertook the duty of the Nomination Committee in accordance with the Corporate Governance Communiqué of the Capital Market Board. There was no situation to rule out their independence in the relevant term of activity of the Independent Members of the Board.

The CV's of the members of the Board of Directors, their term in office and their duties outside the company are published in the previous parts of the Annual Report and the web-site of the Company. They are not included here to avoid repetition.

The Corporate Governance Committee has been assigned to do the necessary work to ensure the target of having one female member in the Board of directors within a five year course. The Board of Directors will evaluate the work of the Committee annually.

Board members are in no way restricted in assuming position in other organizations or entites other than the company.

General Manager

Harun Hanne Moreno

Moreno was born in Istanbul in 1960. In 1982, he graduated from the Industrial Engineering Department of the Faculty of Engineering of Boğaziçi University. Moreno completed his MBA at the Social Studies Institute of the Faculty of Business Administration of the same university in 2002.

Harun Moreno started to work at the Alarko Group of Companies in 1986. Following various middle and top management positions in the various units of the group, he was appointed



general manager of the Alarko Real Estate Investment Partnership Co. in 2001. He is still holding this position.

Harun Hanne Moreno speaks English and Spanish. He is married and has two children.

5.2. Operational Principles of the Board of Directors

The Board of Directors convenes when it is deemed necessary from the point of view of the company's operations upon the invitation of the chairman or deputy chairman. However, meeting once a month is compulsory. The chairman of the Board confers with the other members of the Board and the General Manager and determines the agenda of the Board meetings and sends it to all members 3 days prior to the meeting. Members make a point of attending every meeting and expressing their opinions. Participation in the Board meeting can be done by any technological means that allows remote access. Remarks of members who are unable to attend the meeting but report them to the Board in writing are presented to the other members. No weighed voting right is granted to the Board members. Each member of the Board has one vote. In Board meetings related to related party transaction, the member of the relevant Board does not have a voting right. The meeting and resolution quorum of the Board meeting is stated in the Articles of Association. Decisions that present characteristics stated in the Communiqué of the Capital Markets Board the articles of the communiqué are applied. The powers and responsibilities of the Board members are given in the Articles of Corporation.

The Board of Directors convened 10 times during the term. All members have attended to the meetings held during the period. Board decisions have been taken unanimously. Therefore, there is no record of dissenting votes. In 2017 there were no related party transactions and transactions of important character to be presented to the approval of the independent members of the Board.

No malfunction insurance has been taken out for the losses and damages that may be caused to the company by the faults of the Members of the Board of Directors during their term in office.

5.3. Number, Structure and Independence of Committees Constituted in the Board

New committees have been established and their operation principles have been determined as of the Corporate Governance Communiqué of Capital Markets Board and the articles in Turkish Commercial Code.

Hence;

- Corporate Governance Committee consisting of 4 members was established to develop corporate governance applications. Independent member Sarper Volkan Özten was elected as chairman of the committee and independent member Mustafa Filiz, Mehmet Ahkemoğlu and Metin Franko were elected as members of the Committee. The Corporate Governance Committee convened 2 time with the total number of members within the term and presented the Board a report regarding their activities.
- An Committee of Early Identification of Risks consisting of 4 members was constituted to detect the risks that our Company could be faced with and to organize an effective risk management system. Independent member Sarper Volkan Özten was elected as Chairman and Mustafa Filiz, Mehmet Ahkemoğlu and Hilmi Önder Şahin were elected as members of the Committee. The Committee of Early Identification of Risks convened 6 times with the total number of members within the term and presented the Board a report regarding their activities.
- Independent member Sarper Volkan Özten was elected as Chairman of the Auditing Committee within the Board and independent member Kudret Vurgun was elected as member. The Auditing Committee convened 5 times with the total number of members within the term and presented the Board a report regarding their activities.



Information regarding the activity areas, operating principles and the members of the committees has been disclosed to the public in the Public Disclosure Platform (KAP) and also in the web-site of our Company for the investors.

All of the committees consist of non-executive members.

As a result of the structuring of the Board, the number of Independent Board members is 2. Since the chairman of the committees constituted and all the members of the Auditing Committee have to be independent members, these members are active in more than one committee.

5.4. Risk Management and Internal Audit Mechanism

A risk governance and internal audit mechanism is established by the Board of Directors. Managerial risks are reviewed periodically by the Auditing Committee constituted by the Board members. The Committee has decided to establish, audit and update an internal control mechanism. The Auditing Group has been appointed to supervise the constitution of the internal control mechanism and to oversee its operability. The Auditing Group inspects the internal control mechanism regularly through the approved annual audit plans and communicates its opinions and findings to top management.

The Auditing Committee, the Committee of Early Identification of Risks and the Board determine the measures to be taken and instruct the company's managers through the General Manager.

5.5. Strategic Objectives of the Company

Our partnership is the first real estate investment company established in Turkey and publicly held by 49 % with the objective of using experience of the Alarko Group of Companies in the land development sector more efficiently.

The main purpose of our land development projects dating back 45 years is to provide people buildings that;

- Have perfectly designed infrastructures,
- Meet all requirements of contemporary life-style,
- Integrate and preserve all particulars of the natural environment,
- Construct dwellings that will always be profitable investments.
- We are aiming to strengthen our portfolio and obtain regular rent income.

At the same time, our publicly held Investment Partnership offers the opportunity of investing in securities which are of similar risk character but more liquid instruments instead of investing directly in such residences.

5.6. Pecuniary Rights

No pecuniary benefits such as honorariums, fees, premiums, bonuses are given to members of the Board of Directors except the independent members of the Board of Directors. The gross total of pecuniary benefits given to Independent Board members and top executives was TL 1.306.605 (Gross) in 2017.

Information regarding the remuneration principles of Members of the Board and top executives was given at the general assembly and it is also disclosed to the public in the web site and the Public Disclosure Platform (KAP).

There are no allowances, travel, accommodation and representation expenses and real and financial means, insurances and any similar collaterals given to the Members of the Board of Directors.

The company did not lend any money, provide loan facilities and provide security in favor of any Board member or executive of the Company.



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INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

To the General Assembly of Alarko Gayrimenkul
Yatırım Ortaklığı A.Ş.

1) *Opinion*

We have audited the annual report of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") for the period between 1 January- 31 December 2017.

In our opinion, the financial information provided in the Management's annual report and the Management's discussions on the Company's financial performance based on the information provided in the audited financial statements, are fairly presented in all material respects, and are consistent with the full set audited financial statements and the information obtained from our audit.

2) *Basis for Opinion*

We conducted our audit in accordance with Independent Auditing Standards, which is a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is disclosed under Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report in detail. We declare that we are independent from the Company in accordance with The Ethical Rules for the Independent Auditors issued by Public Oversight Accounting and Auditing Standards Authority ("POA") and ethical provisions stated in the regulation of audit. We have fulfilled other responsibilities related to ethics within the scope of the Ethical Rules and regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3) *Auditor's Opinion for the Full Set Financial Statements*

We have presented an unqualified opinion for the Company's full set financial statements for the period between 1 January- 31 December 2017 in our Auditor's Report dated 23 March 2018.

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4) Management's Responsibility for the Annual Report

The Company's Management is responsible for the following in accordance with Article 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"):

- a) Preparing the annual report within the three months following the reporting date and presenting it to the General Assembly,
- b) Preparing the annual report with the all respects of the Company's flow of operations for that year and the Company's financial performance accurately, completely, directly and fairly. In this report, the financial position is assessed in accordance with the financial statements. The development of the Company and risks that the Company may probably face are also pointed out in this report. The Board of Director's evaluation on those matters are also stated in this report.
- c) The annual report also includes the matters stated below:
 - The significant events occurred in the Company's activities after the financial year ends,
 - The Company's research and development activities,
 - The compensation of key management personnel and members of Board of Directors including financial benefits such as salaries, bonuses and premiums, allowances, travelling, accommodation and representation expenses, in cash and kind facilities, insurances and other similar guarantees.

The Board of Management also considers the secondary regulations performed by the Ministry of Customs and Trade and related institutions while preparing the annual report.

5) Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report

Our aim is to express an opinion and prepare a report about whether the Board of Director's discussions based on the information in the audited financial statements and financial information in the annual report within the scope of the provisions of the TCC and the Communiqué are fairly presented and consistent with the information obtained from our audit.

We conducted our audit in accordance with Independent Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Management's discussions on the Company's financial performance based on the information provided in the audited financial statements, are fairly presented in all material respects, and are consistent with the full set audited financial statements and the information obtained from our audit

The independent audit is conducted and concluded by the engagement partner Koray Öztürk.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**


Koray Öztürk, SMMM
Partner

İstanbul, 23 February 2018



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INDEPENDENT AUDITOR'S REPORT

To the General Assambly of
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards (TAS).

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p>Fair value determination of investment properties</p> <p>As explained in Note 8, fair value of investment properties of the Company is TL 517.115.000 as of 31 December 2017.</p> <p>The Company's fair value of investment properties is taken into records according to valuation reports obtained from the independent valuation experts. Investment properties constitute a significant part of the Company's financial statements and various estimates and assumptions were used by independent valuation company when carrying out the valuation. Thus, determining the fair value of investment properties and accuracy of the fair value amounts stated in the financial statements is considered as key audit matter.</p> <p>Accounting policies initiated to investment properties are in Note 2 and initiated explanations are in Note 8.</p>	<p>Throughout our audit, below procedures are performed in order to evaluate the accuracy of fair value of such investment properties:</p> <ul style="list-style-type: none">• Assessment of competence and independence of valuation experts appointed by the Company's management,• Assessment of suitability of the valuation methods used by valuation experts,• Involvement of independent experts in audit process and by negotiating with the experts appointed by Company's management, assessment and examination of the assumptions used in valuation reports (including real discount rates, market rents, market values and estimated occupancy rate),• By negotiating with Company's management;<ul style="list-style-type: none">▶ Assessment of future plans and explanations used in valuation reports in terms of macroeconomic data:▶ Analysing estimates and assumptions used in valuation reports by comparing them with previous years' data,▶ Assessment of cash flow estimates prepared for each cash generating unit and by comparing them with previous financial results deciding if they are reasonable.• Assessment of the completeness of the disclosure requirements under TAS regarding to fair value of investment properties and review of the explanations in the financial statement disclosures.

4) Other Matters

The financial statements of Alarko Gayrimenkul Yatırım Ortaklığı A.Ş. for the year ended 31 December 2016 was audited by another auditor who expressed an unmodified opinion on those financial statements on 27 February 2017.

5) Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TAS, and for such internal control as management determines is necessary to



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enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

6) Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards on auditing issued by Capital Markets Board and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 23 February 2018.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January-31 December 2017 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Koray Öztürk.

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Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Koray Öztürk, SMMM
Partner

İstanbul, 23 February 2018



**FINANCIAL STATEMENTS AUDITED
BY INDEPENDENT AUDITORS**



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017 (TL)

ASSETS	Notes	Current Year 31 December 2017	As Restated Prior Year(*) 31 December 2016	As Restated Prior Year(*) 1 January 2016
CURRENT ASSETS		405.320.291	354.401.310	284.873.223
Cash and Cash Equivalent	3	74.465.493	68.682.082	48.761.157
Financial Investments	4	304.929.466	254.724.594	202.452.849
Trade Receivables		22.122.031	16.181.512	14.574.365
Trade Receivables from Related Parties	5,22	21.971.729	16.032.283	14.484.726
Trade Receivables from Third Parties	5	150.302	149.229	89.639
Inventories	7	3.271.735	14.547.444	17.328.264
Prepaid Expenses		186.480	32.659	110.579
Other Current Assets	13	345.086	233.019	1.646.009
NON - CURRENT ASSETS		521.644.242	426.314.249	365.556.084
Financial Investments	4	4.417.029	2.634.939	1.856.415
Other Receivables	6	24.084	15.788	15.165
Other Receivables from Third Parties		24.084	15.788	15.165
Investment Properties	8	517.115.000	423.551.000	363.609.000
Property, Plant and Equipment	9	34.723	53.690	60.582
Intangible Assets		53.406	58.832	14.689
Other Intangible Assets	10	53.406	58.832	14.689
Prepaid Expenses		-	-	233
TOTAL ASSETS		926.964.533	780.715.559	650.429.307

The accompanying notes form an integral part of these financial statements.

(*) Restatement effects explained in Note 2.vi.



LIABILITIES	Notes	Current Year 31 December 2017	As Restated Prior Year(*) 31 December 2016	As Restated Prior Year(*) 1 January 2016
CURRENT LIABILITIES		5.627.487	3.732.052	3.416.499
Trade Payables		2.139.352	1.767.351	1.759.505
Trade Payables to Related Parties	5,22	21.760	42.351	14.826
Trade Payables to Third Parties	5	2.117.592	1.725.000	1.744.679
Payables Related to Employee Benefits	12	79.860	77.415	66.380
Other Payables	6	3.367.816	1.857.990	1.564.736
Other Payables to Third Parties		3.367.816	1.857.990	1.564.736
Deferred Income		40.459	29.296	25.878
NON-CURRENT LIABILITIES		1.809.149	950.456	752.384
Other Payables	6	1.435.838	606.309	467.455
Other Payables to Third Parties		1.435.838	606.309	467.455
Long-term Provisions		373.311	344.147	284.929
Long-term Provisions for Employee Benefits	12	373.311	344.147	284.929
EQUITY		919.527.897	776.033.051	646.260.424
Equity Attributable to Owners of the Company		919.527.897	776.033.051	646.260.424
Share Capital	14	10.650.794	10.650.794	10.650.794
Adjustments to Share Capital	14	54.712.578	54.712.578	54.712.578
Other Comprehensive Income or Expenses That will not be Reclassified Subsequently to Profit or (Loss)		(11.442)	(17.903)	(9.767)
- Gains / (Losses) on Revaluation and Remeasurement for Defined Benefit Plans		(11.442)	(17.903)	(9.767)
Other Comprehensive Income or Expenses That may be Reclassified Subsequently to Profit or (Loss)		3.154.235	1.372.145	593.621
- Gains / Losses on Revaluation and Remeasurement of Available for Sale Financial Assets	4	3.154.235	1.372.145	593.621
Restricted Reserves Appropriated from Profit	14	5.214.716	4.202.891	3.585.146
Prior Years' Profit / (Losses)	14	693.449.927	569.400.307	384.936.809
Net Profit / Loss for the Year	21	152.357.089	135.712.239	191.791.243
TOTAL LIABILITIES AND EQUITY		926.964.533	780.715.559	650.429.307

The accompanying notes form an integral part of these financial statements.

(*) Restatement effects explained in Note 2.vi.



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2017 (TL)

	Notes	Current Year 1 January 2017 31 December 2017	As Restated Prior Year (*) 1 January 2016 31 December 2016
Revenue	15	40.918.147	23.791.105
Cost of Sales (-)	15	(11.284.919)	(2.780.820)
GROSS PROFIT / (LOSS)		29.633.228	21.010.285
Administrative Expenses (-)	16,17	(5.385.225)	(5.338.706)
Other Income from Operating Activities	18	141.226.710	128.082.714
Other Expenses from Operating Activities (-)	18	(13.306.235)	(8.200.217)
OPERATING PROFIT / (LOSS)		152.168.478	135.554.076
Income from Investing Activities	19	188.611	158.163
OPERATING PROFIT / (LOSS) BEFORE FINANCE INCOME / (EXPENSE)		152.357.089	135.712.239
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		152.357.089	135.712.239
Tax Expense / Income from Continuing Operations	20	–	–
Current Tax (Expense) / Income		–	–
Deferred Tax (Expense) / Income		–	–
PROFIT / (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		152.357.089	135.712.239
PROFIT / (LOSS) FOR THE YEAR	21	152.357.089	135.712.239
OTHER COMPREHENSIVE INCOME			
Items that will not be Reclassified Subsequently to Profit or (Loss)			
Gain / (Loss) on Remeasurement of Defined Benefit Plans	12	6.461	(8.136)
Items that may be Reclassified Subsequently to Profit or (Loss)			
Gain / (Loss) on Revaluation and / or Reclassification of Available for Sale Financial Assets	14	1.782.090	778.524
OTHER COMPREHENSIVE INCOME / (EXPENSE)		1.788.551	770.388
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		154.145.640	136.482.627
Earnings per share			
Earnings / (Loss) per Share from Continuing Operations	21	14,3048	12,7420

The accompanying notes form an integral part of these financial statements.

(*) Restatement effects explained in Note 2.vi.

ALARCO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2017 (TL)

	Share Capital	Adjustments to Share Capital	Accumulated Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss	Accumulated Gain / Loss on Revaluation and/or Reclassification of Available for Sale Financial Assets	Restricted Reserves Appropriated from Profit	Prior Years' Profit / (Losses)	Net Profit / Loss for the Year	Total Equity
Balances as of 1 January 2016 (Reported)	10.650.794	54.712.578	(9.767)	593.621	3.585.146	384.936.809	131.791.243	586.260.424
Revaluation Effect	-	-	-	-	-	-	-	-
Revaluation of Investment Properties	-	-	-	-	-	-	60.000.000	60.000.000
Balances as of 1 January 2016 (Restated)	10.650.794	54.712.578	(9.767)	593.621	3.585.146	384.936.809	191.791.243	646.260.424
Transfers	-	-	-	-	617.745	184.463.498	(185.081.243)	-
Total Comprehensive Income / (Expense)	-	-	(8.136)	778.524	-	-	135.712.239	136.482.627
Dividends	-	-	-	-	-	-	(6.710.000)	(6.710.000)
Balances as of 31 December 2016 (Closing balances)	10.650.794	54.712.578	(17.903)	1.372.145	4.202.891	569.400.307	135.712.239	776.033.051
Balances as of 1 January 2017 (Reported)	10.650.794	54.712.578	(17.903)	1.372.145	4.202.891	509.400.307	133.207.239	713.528.051
Revaluation Effect	-	-	-	-	-	-	-	-
Revaluation of Investment Properties	-	-	-	-	-	60.000.000	2.505.000	62.505.000
Balances as of 1 January 2017 (Restated)	10.650.794	54.712.578	(17.903)	1.372.145	4.202.891	569.400.307	135.712.239	776.033.051
Transfers	-	-	-	-	1.011.825	124.049.620	(125.061.445)	-
Total Comprehensive Income / (Expense)	-	-	6.461	1.782.090	-	-	152.357.089	154.145.640
Dividends	-	-	-	-	-	-	(10.650.794)	(10.650.794)
Balances as of 31 December 2017 (Closing balances)	10.650.794	54.712.578	(11.442)	3.154.235	5.214.716	693.449.927	152.357.089	919.527.897

The accompanying notes form an integral part of these financial statements.





ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
AUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD BETWEEN
1 JANUARY - 31 DECEMBER 2017 (TL)

	Notes	Current Year 1 January 2017 31 December 2017	As Restated Prior Year (*) 1 January 2016 31 December 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / Loss for the Year		152.357.089	135.712.239
Adjustments to Reconcile Profit / Loss for the Year		(99.581.518)	(66.173.148)
- Adjustments Related to depreciation and amortization expenses	9,10	29.704	20.670
- Adjustments Related to Gain / Loss on Fair Value	8	(92.751.316)	(59.720.318)
- Adjustments Related to Provisions	12	65.623	57.958
- Adjustments Related to Interest Income and Expenses	18	(7.142.057)	(6.689.599)
- Adjustments Related to Gain / Loss on Disposal of Non-Current Assets	19	-	(22)
- Other Adjustments Related to Profit / (Loss)	5	216.528	158.163
Changes in working capital		7.758.053	3.118.578
- Adjustments Related to Increase / Decrease in Inventories	7	11.275.709	2.780.820
- Adjustments Related to Increase / Decrease in Trade Receivables	5,22	(5.968.436)	(1.607.169)
- Adjustments Related to Increase / Decrease in Other Receivables from Operations	6	(8.296)	(623)
- Adjustments Related to Increase / Decrease in Trade Payables	5,22	372.001	7.846
- Adjustments Related to Increase / Decrease in Other Payables from Operations	6	2.339.355	432.108
- Adjustments Related to Other Increase / Decrease in Working Capital		(252.280)	1.505.596
Cash Generated from Operations		60.533.624	72.657.669
Employment Termination Benefits Paid	12	(29.998)	(6.876)
Cash Outflows for Acquisition of Debt Instruments	4	(48.804.010)	(52.271.745)
		11.699.616	20.379.048
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Purchase of Property, Plant and Equipment and Intangible Assets	9,10	(14.816)	(57.921)
Payments for Purchase of Property, Plant and Equipment and Intangible Assets	9	9.505	22
Payments for Purchase of Investment Properties	8	(812.684)	(221.682)
Dividends Received		(188.611)	(158.141)
Interest Received		5.741.195	6.689.599
		4.734.589	6.251.877
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends Paid	14	(10.650.794)	(6.710.000)
		(10.650.794)	(6.710.000)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		5.783.411	19.920.925
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3	68.682.082	48.761.157
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D)	3	74.465.493	68.682.082

The accompanying notes form an integral part of these financial statements.

(*) Restatement effects explained in Note 2.vi.



ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED
31 DECEMBER 2017 AND 31 DECEMBER 2016

1- ORGANIZATION AND OPERATIONS OF THE COMPANY

The company name of Aletim Alarko Elektrik Tesisat ve İnşaat Malzemeleri Anonim Şirketi founded on 6 June 1978 was changed to Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the Company) upon being published in the Turkish Trade Register Gazette dated 6 August 1996 nr 4096. The Company applied to the Capital Markets ("Board") on 31 October 1996 for the registration of a document related to share certificates to be issued for the capital increase in its shareholders; and the document was registered by the CMB certificate Nr GYO 1/1552 dated 31 December 1996 in accordance with the Capital Markets Law.

The Company operates as a real estate partnership in accordance with the statements and regulations of the Capital Markets Board. In this context, the Company invests in real estates, real estate projects, and capital market instruments. Accordingly, the Company acts in accordance with the regulations and legislation of the Capital Markets Board in its principal activities, investment portfolio policies, and administrative limits.

As of 31 December 2017 and 31 December 2016, the shareholders and the shareholding structure of the Company at historic values is as follows:

	31 December 2017		31 December 2016	
	Share Rate (%)	Share Amount (TL)	Share Rate (%)	Share Amount (TL)
Shareholders				
Alarko Holding A.Ş.	16,42	1.748.258	16,42	1.748.258
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	34,78	3.704.641	34,78	3.704.641
Public Offering	48,77	5.194.442	48,77	5.194.442
Other (*)	0,03	3.453	0,03	3.453
Total	100,00	10.650.794	100,00	10.650.794

(*) Represents total of shareholdings less than 10 %.

As of 31 December 2017 and 31 December 2016, the difference arising from restatement of the nominal value of the share capital amounts to TL 54.712.578 (Note 14 (b)).

The address of the Company's Head Office is Muallim Naci Caddesi, No:69 P.K. 34347 Ortaköy – Beşiktaş/ İstanbul

The majority of the Company shares belong to Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. and 48,77% of the Company shares is traded at the Istanbul Stock Exchange since 1996.

As of 31 December 2017 and 31 December 2016, the average number of the Company personnel is 6 and 7, respectively.



The share certificates constituting the Company's share capital are classified in three groups, namely, Group A, Group B, and Group C. A Group share owners are granted the right to nominate four candidates for the Board of Directors and B Group share owners are granted the right to nominate three candidates for the Board of Directors. There are no other rights granted to the shareholders other than the right to nominate candidates for the Board of Directors.

Approval of financial statements:

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 23 February 2018. General Assembly has the authority to modify the financial statements.

2- BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

i) Basis of Presentation :

The Company maintains its books of account and prepares its statutory financial statements in accordance with the prevailing commercial and financial legislation. The accompanying financial statements are prepared in accordance with the provisions of the "Communiqué Related to the Financial Reporting Principles at the Capital Markets" (Communiqué) Nr. II/14.1 of the Capital Markets Board (CMB) published in the Official Gazette dated 13 June 2013 Nr 28676, taking as basis the Turkish Accounting Standards /Turkish Financial Reporting Standards and the related appendices and interpretations (TAS/TFRS) put into effect by the Public Oversight Accounting and Auditing Standards Authority (POA) as per the Article 5 of the Communiqué.

As required by the TFRS 1, comparative financial statements are prepared on the same basis. As stated below, certain adjustments and classifications have been made during the preparation of the accompanying financial statements in order to comply with the TAS/ TFRS (Note 2 (iii)).

The accompanying financial statements are presented in accordance with the principles the application of which is required by the announcement published in the weekly bulletin dated 7 June 2013 nr 2013/19 of the CMB.

The functional currency of the Company is TL and the accompanying financial statements and related notes are presented in Turkish Lira (TL).

The Company's Board of Directors and the CMB retain the power to amend the interim financials; and the annual financial statements can be amended by the General Assembly and the CMB.

ii) Adjustment of Financial Statements During Hyper-Inflationary Periods :

TAS 29 deals with the effects of inflation on financial statements and requires that financial statements prepared in the currency of a high inflation economy be stated in terms of the measuring unit current at the reporting date and that corresponding figures for previous periods be restated in the same terms. As per the resolution of the CMB dated 17 March 2005 Nr 11/367 the application of inflation adjustment of the financial statements has ended in 2005, hence the financial statements are restated at the purchasing value of the Turkish Lira as at 31 December 2004. The additions to non-monetary items subsequent to 1 January 2005 are stated at their nominal values.



iii) Adjustments :

The accompanying financial statements are prepared in accordance with TAS/TFRS with the below mentioned adjustments which are not stated in the statutory records:

- Provision for doubtful receivables
- Calculation of rediscount on customers
- Depreciation adjustment in relation to the useful lives of property, plant and equipment as per TAS 16
- Termination indemnity adjustment as per TAS 19
- Valuation of financial assets quoted at the stock exchange by market value
- Provisions for unused leaves
- Valuation of investment properties at fair value
- Valuation of financial assets held to maturity at the cost value amortized as per the effective interest method.

iv) Offsetting :

Offsetting financial assets and liabilities can only be made under the conditions where the offsetting transaction is legally allowed and the company has an intention in this respect or where the acquisition of assets and fulfillment of liabilities are realized simultaneously.

v) Accounting Policies, Changes and Errors in Accounting Estimates :

Significant changes in the accounting policies and significant accounting errors are applied retroactively and the prior period financials are re-adjusted. In the event that the changes in the accounting estimates are related to one period only, they are applied only to the period in which the change has been made; however, if they are related to the future periods, they are applied both to the period in which the change has been made and the future periods.

vi) Comparative Information and Adjustment of Prior Period Financial Statements :

The financial statements of the Company are prepared comparatively with the prior period in order to enable the determination of the financial situation and performance trends. In order to comply with the presentation of the financial statements in the current period, comparative information is reclassified when necessary and significant differences are disclosed.

The Company has reassessed the fair value of its investment property Hillside Beach Club Resort for the years 2015 and 2016 and redetermined the fair values of the said property which was determined in prior periods according to new fair value reports that has been taken from experts. Within the context of TAS 8 "Accounting Policies, Accounting Estimates and Errors", the Company has retrospectively restated its financial statements. TAS 1 (Revised) "Presentation of Financial Statements" requires when an entity makes a retrospective restatement of items in its financial statements, it shall present, as a minimum, three statement of financial position, two of each of the other statements, and related notes. Accordingly, the Company has comparatively presented its statement of financial position with the restated comparative financial information at 31 December 2016 and 1 January 2016, restated profit or loss and other comprehensive income statement at 31 December 2016. The effect of restatement on accumulated profit and net income as of 31 December 2017 is as follows:



	Previously Preported Prior Period 31 December 2016	Restatement Effect	Restated Prior Period 31 December 2016
Investment Properties	361.046.000	62.505.000	423.551.000
Prior Years' Profit	509.400.307	60.000.000	569.400.307
Net Profit for the Year	133.207.239	2.505.000	135.712.239

	Previously Preported Prior Period 1 January 2016	Restatement Effect	Restated Prior Period 1 January 2016
Investment Properties	303.609.000	60.000.000	363.609.000
Prior Years' Profit	516.728.052	60.000.000	576.728.052

vii) The New and Revised Turkish Accounting / Financial Reporting Standards :

a) Amendments to TFRSs that are mandatorily effective from 2017

Amendments to TAS 12	Recognition of Deferred Tax Assets for Unrealized Losses ¹
Amendments to TAS 7	Disclosure Initiative ¹
Annual Improvements to TFRS Standards 2014–2016 Cycle	TFRS 12 ¹

¹ Effective for annual periods beginning on or after 1 January 2017.

Amendments to TAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The Company assessed the adequacy of taxable income consistent with these changes and the adoption of this amendment does not have any effect on the Company's financial statements.

The application of the amendments in TAS 12 has no effect on the Company's financial statements.

Amendments to TAS 7 Disclosure Initiative

This amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Annual Improvements to TFRS Standards 2014–2016 Cycle

TFRS 12: Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations.



Since none of the Company's shares in these assets are classified as held for sale, the adoption of this improvement does not have any effect on the Company's financial statements.

b) New and revised TFRSs in issue but not yet effective

The Company has not applied the following new and revised TFRSs that have been issued but are not yet effective:

TFRS 9	Financial Instruments ¹
TFRS 15	Revenue from Contracts with Customers ¹
Amendments to TFRS 10 and TAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to TFRS 2	Classification and Measurement of Share-Based Payment Transactions ¹
TFRS Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to TAS 40	Transfers of Investment Property ¹
Annual Improvements to TFRS Standards 2014–2016 Cycle	TFRS 1 ¹ , TAS 28 ¹
Amendments to TAS 28	Long-term Interests in Associates and Joint Ventures ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

TFRS 9 Financial Instruments

TFRS 9 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

Key requirements of TFRS 9:

- all recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- in relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes



in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

In January 2016, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. TFRS 15 will supersede the current revenue recognition guidance including TAS 18 Revenue, TAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.



Specifically, the Standard introduces a 5-step approach to revenue recognition:

- **Step 1:** Identify the contract(s) with a customer
- **Step 2:** Identify the performance obligations in the contract
- **Step 3:** Determine the transaction price
- **Step 4:** Allocate the transaction price to the performance obligations in the contract
- **Step 5:** Recognize revenue when (or as) the entity satisfies a performance obligation

Under TFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by TFRS 15.

Later on Clarifications to TFRS 15 in relation to the identification of performance obligations, principal versus agent considerations were issued, as well as licensing application guidance.

Apart from the providing more extensive disclosures on the Company's revenue transactions, the directors are assessing that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Company.

TFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Annual Improvements to TFRS Standards 2014–2016 Cycle

- **TFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of TFRS 1, because they have now served their intended purpose.

- **TAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.



Amendments to TAS 28 Long-term Interests in Associates and Joint Ventures

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

viii) Summary of Significant Accounting Policies and Valuation Methods :

(a) Financial Instruments :

Financial instruments consist of the financial assets and liabilities stated below :

i. Cash and Cash Equivalents

Cash and cash equivalents consist of cash, banks, deposits in other financial institutions, other money market placements, and short term repurchase agreements of 3 months or less.

Bank accounts consist of demand and time deposit accounts and the related interest accrued. Turkish Lira deposit accounts are stated at face values and foreign currency accounts are translated into Turkish Lira at the foreign currency buying rate issued by the Central Bank as at the reporting date.

Cash and cash equivalents are stated at their acquisition costs plus accrued interests.

Fair Value

As the foreign currency cash and cash equivalents are translated into Turkish Lira at the foreign exchange rates valid at the reporting date, it is assumed that the fair values of these assets approximate to their book values.

As the deposit accounts and cash are converted into cash in very short terms, and as there is no risk of value decrease, their book values are deemed to approximate their fair values.

ii. Financial Assets Held to Maturity

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that an enterprise has the positive intent and ability to hold to maturity. Held-to-maturity investments are recognized at the acquisition cost amortised according to the effective interest method less impairment value and the related income is calculated using the effective interest method.

iii. Financial Assets Available for Sale

Financial assets available for sale are financial assets not classified either as held to maturity or held for trading.

Any gains or losses arising from changes in the fair value of financial assets available for sale, except those related to impairment and foreign exchange



differences accounted for in the income statement, are recognized directly in the owner's equity until the said financial assets are derecognised.

During the process of derecognition, the earnings and losses previously recognized under equity are transferred to the statement of income.

iv. Trade Receivables

Trade receivables are financial assets created by the Company through selling goods and services directly to the customers. Trade receivables are subject to rediscount. Provisions for doubtful trade receivables are made by the Company management taking into consideration the amount of the overdue receivables, guarantees received, past experiences and current economic outlook.

Fair Value

Discounted trade receivables for which provisions for doubtful receivables are accrued are assumed to approximate to the fair values of these assets.

v. Trade Payables

Trade payables are financial assets created by the Company through buying goods and services directly to the suppliers. Trade payables are stated at their discounted values.

Fair Value

Discounted cost values of trade payables are assumed to approximate to the fair values of these assets.

vi. Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. In the presence of such objective evidence, the Company determines the related amount of impairment.

A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

(b) Related Parties :

A related party is a person or entity that is related to the entity that is preparing its financial statements.

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity,
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.



(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) (A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged. The shareholders of the Company and the companies that they own and their executives and other groups known to be related to them are defined as related parties in the financial statements.

Within the scope of this report, the Company shareholders, Alarko Holding A.Ş. and Alarko Holding Group Companies, their executive staff, and other companies controlled by or related to these companies are defined as related parties.

(c) Inventories :

Inventories are valued at their restated acquisition cost; however, the expertise values creating basis for the fair values of unsold inventories and the contract totals of inventories of which sales contracts are signed during the current period are compared with the restated acquisition costs, and if the expertise value and the contract total are lower than the restated acquisition cost, provision is made for impairment within the frame of conditions stated in the "Impairment of Assets" section. Impairment loss is determined for all inventories separately.

(d) Investment Properties :

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property that is measured at fair value to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property



that is measured at fair value, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

(e) Tangible Assets :

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation rates of assets are as below:

	<u>Economic Lives</u>
Buildings	2% – 2,5%
Land improvements	10%
Machinery, plant, and equipment	20% – 25%
Furnitures and fixtures	6% – 25%
Other tangible assets	20%

Repair and maintenance expenses are expensed when realized. In case the repair and maintenance expenses provide an increase or an observable development in tangible assets, they are capitalized.

In case the book value of a tangible asset is higher than the recoverable value, the book value is decreased to the recoverable amount.



The profit or loss arising from the sale of a tangible asset is determined by comparing the restated amount of the assets sold and the amount collected and reflected to the income or loss for the current period.

(f) Intangible Assets :

Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. The acquisition values of intangible assets are considered in the restatement of intangible assets as at 31 December 2004. Additions made subsequent to 1 January 2005 are stated at their nominal values. Intangible assets are amortized over their inflation-adjusted values and the nominal values of additions subsequent to 1 January 2005 over the rates stated below :

	<u>Economic Lives</u>
Leasehold improvements	3% – 50%
Rights	3,125% – 33,33%

(g) Effect of Exchange Differences :

Foreign Currency Balances and Transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.



(h) Impairment of Tangible and Intangible Assets Other Than Goodwill :

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Taxes :

The earnings of companies that are granted the Real Estate Investment Trust (REIT) status is exempt from Corporate Tax and provisional corporate tax as per the article 5, section 1, paragraph d/4 of the Corporate Tax Law nr 5520. On the other hand, as per the article 15, paragraph 3 of the Corporate Tax Law, the percentage of the income tax withholding required to be made over the earnings of these partnerships that are subject to exemption is currently zero in accordance with the Ministerial Council Decision nr 2010/14594 (nr 2003/6577 for 2008). For that reason, no tax calculation has been made in relation to the 31 December 2017 and 31 December 2016 accounting periods (Note 20).

(j) Employee Benefits :

Provision for Termination Indemnity :

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 (Revised) Employee Benefits ("TAS 19").



The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

Profit-sharing and bonus plans :

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(k) Revenue :

Sales consist of sales revenue generated from real estate sold and rents received from property held for investment purposes. Sales are accounted for by the accrual principle, calculated over the fair value of prospect or realized income upon services provided, reliable determination of the income amount, and potential economic benefits to flow to the Company in relation to the subject transaction.

Rent income from investment properties

Rental income from investment properties are recognized on accrual basis. Income is recognized when it is probable that the economic benefits associated with the transaction shall flow to the entity and the amount of income can be measured reliably. Income is measure at the fair value of consideration received or to be received. Income acquired through reflecting to lessees the expenses related to investment properties is recognized in the period that the service is rendered.

Revenue from real estate sales

Revenue from the sale is recognized when The Company has transferred to the buyer the significant risks and rewards of ownership of the real estates, The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the real estate sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue and cost of sales are recognized once the sales contracts of the projects are in line with the above stated criteria.

If there is significant financing cost within the sales, the fair value of the sales price is reduced to the present value of receivables. Determination of the present value of the receivables; the nominal value of the sales price is used to discount the interest rate to the sale price of the related service. The difference between the nominal value of the sales price and the fair value in this way is reflected in the sales revenue related periods.

The cost of sales mainly consists of housing costs and expenses that made for these properties.

Dividend and interest income :

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).



Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(l) Earnings per Share :

Earnings per share is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Companies in Turkey can increase their share capital through distributing shares (bonus shares) from retained earnings and differences arising from inflation adjustment of equity to their current shareholders. When calculating profit/(loss) per share, these bonus shares are recognized as issued shares. Therefore, the weighted average of shares used in the calculation of profit/(loss) per share is derived through retroactive application with respect to bonus shares.

(m) Borrowing Costs :

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

(n) Events After the Reporting Period :

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

(o) Conditional Assets and Liabilities :

Provisions are recognised when the Company has a present legal or constructive obligation or a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are assessed continually to determine whether an outflow of resources comprising economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously treated as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs except in the extremely rare circumstances where no reliable estimate can be made.



When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(p) Statement of Cash Flows :

In the statement of cash flows, current period cash flows are classified as principal activities, investing activities, and financing activities, and reported accordingly.

(r) Share capital and dividends :

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

(s) Supplementary note: Control of Compliance to Portfolio Limitations :

The information provided in the said note (Note 28) is summarized information derived from financial statements as per the article 16 of the Capital Markets Board Communiqué II-14.1 “Principles Regarding Financial Reporting on Capital Markets” and prepared within the frame of provisions related to compliance to portfolio limitations stated in the CMB Communiqué Serial III No 48.1 “Principles Regarding Real Estate Investment Trusts”.

ix. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Fair values of investment properties

Fair values of investment properties are assessed according to valuation reports that obtained from independent expertises and profit or losses arising from fair value changes are recognized to statement of profit or loss as at realization period. Fair values of properties that reclassified as investment property in the financial statement has been determined by the independent real estate appraisal company, Rehber Gayrimenkul Değerleme Danışmanlık A.Ş. in 2017 and critical judgements has been used in the valuations and detailed in Not 8.

3- CASH AND CASH EQUIVALENTS

The details of the cash and cash equivalents as at 31 December 2017 and 31 December 2016 are as follows (TL) :

	31 December 2017	31 December 2016
Cash at banks	73.566.807	67.864.943
- TL Demand deposits	47.272	54.766
- TL Time deposits	1.025.857	-
- Foreign currency demand deposits	1.039	-
- Foreign currency time deposits (*)	72.492.639	67.810.177
B type liquid funds	898.686	817.139
Total (Note 23 (i))	74.465.493	68.682.082



* As of 31 December 2017, the interest rate on USD time deposits at banks varies between 3,50% - 4,40% and the accrued interest amounts to TL 113.442; the interest rate on Euro time deposits at banks varies between 1,85% - 1,90% and the accrued interest amounts to TL 9.584; interest rate on TL time deposits at banks 14% and the accrued interest amounts to TL 13.589 (As of 31 December 2016, the interest rate on USD time deposits at banks varies between 1,85% - 3,60% and the accrued interest amounts to TL 77.234; the interest rate on Euro time deposits at banks varies between 1,70% - 1,75% and the accrued interest amounts to TL 20.165).

The Company has no blocked deposits at banks as of 31 December 2017 and 31 December 2016.

4-FINANCIAL ASSETS

As of 31 December 2017 and 31 December 2016, the breakdown of the Company's financial assets is as follows:

Financial assets held to maturity;

Currency	31 December 2017			31 December 2016		
	Book Value (TL)	Interest Rate	Maturity Date	Book Value (TL)	Interest Rate	Maturity Date
USD	304.929.466	% 3,38	03.04.2018	254.724.594	% 3,75	14.07.2017
Total	304.929.466			254.724.594		

As of 31 December 2017, financial assets held to maturity consist of Eurobonds of which coupon payment date is 3 April 2018 (31 December 2016 – Eurobond 14 July 2017).

Financial assets available for sale;

	31 December 2017		31 December 2016	
	Participation Rate (%)	Amount (TL)	Participation Rate (%)	Amount (TL)
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.(*)	0,00	1.196	0,00	1.196
Alarko Konut Projeleri Geliştirme A.Ş. (*)	0,00	143	0,00	143
Alarko Holding A.Ş.(*)	0,00	4.415.690	0,00	2.633.600
Total	0,00	4.417.029	0,00	2.634.939

* Participation rate is lower than 1%.

Investment in Alarko Holding A.Ş. is based on the stock price which is the current best bid at the Istanbul Stock Exchange expected to approach its fair value as of 31 December 2017 and 2016. The Company monitors the increases and decreases related to fair value recognition in the Shareholder's Equity account under "Accumulated other comprehensive income and



expenses to be reclassified in profit and loss” account in the financial statements. Accordingly, the value increase of TL 1.782.090 (2016: TL 778.524) has resulted in a total value increase of TL 3.154.235 (2016: TL 1.372.145) (Note 14 (c)).

The participation totals in Alarko Konut Projeleri Geliştirme A.Ş. and Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş. have been valued at their restated cost values as they have no quoted value in the organized markets and their fair values cannot be determined reliably.

5- TRADE RECEIVABLES AND PAYABLES

The details of the Company's trade receivables as of 31 December 2017 and 31 December 2016 are as follows (TL) :

	31 December 2017	31 December 2016
Trade receivables (Note 23(i))	150.302	149.229
Trade receivables from related parties, net (Note 22(a) and 23(i))	21.971.729	16.032.283
Doubtful receivables	–	9.773
Allowance for doubtful receivables (-)	–	(9.773)
Total	22.122.031	16.181.512

The average credit period on trade receivable is between 5 - 10 days (2016: 5 – 10 days).

As of 31 December 2017 and 31 December 2016, movements on the provision for allowance of trade receivables are as follows (TL) :

Movement of Allowance for Doubtful Receivables	31 December 2017	31 December 2016
Allowance for doubtful receivables at the beginning	9.773	54.839
Amounts written off during the year	–	(25.066)
Amounts recovered during the year (Note 18)	(9.773)	(20.000)
Allowance for doubtful receivables at the ending (Note 23 (i))	–	9.773

Trade payables consist of the following (TL) :

	31 December 2017	31 December 2016
Trade payables	2.117.592	1.725.000
Trade payables to related parties (Note 22 (a) and 23 (ii))	21.760	42.351
Total	2.139.352	1.767.351



6- OTHER RECEIVABLES AND PAYABLES

Other long term receivables consist of the following (TL) :

Other Non-current Receivables	31 December 2017	31 December 2016
Deposits and guarantees given	24.084	15.788
Total (Note 23 (i))	24.084	15.788

Other short term payables consist of the following (TL) :

Other Short Term Liabilities	31 December 2017	31 December 2016
VAT Payable	1.929.272	1.399.248
Payables to Muğla Orman Bölge Müdürlüğü	667.662	–
Other taxes and dues payable	769.736	453.182
Other current liabilities	1.146	5.560
Total (Note 23(ii))	3.367.816	1.857.990

Other long term payables consist of the following (TL) :

	31 December 2017	31 December 2016
Payables to Muğla Orman Bölge Müdürlüğü	667.662	–
Deposits and guarantees received (Note 23 (ii))	768.176	606.309
Total	1.435.838	606.309



7- INVENTORIES

Inventories consist of real estate held for trading. As of 31 December 2017 and 31 December 2016, breakdown of inventories is as follows :

	31 December 2017			31 December 2016			
	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date
Real Estate Project							
Land share (1 Parcel Lot) and project cost							
Projects unsold	-	-	-	11.275.709	-	17.215.000	28.12.2016
Land in Büyükçekmece							
Land Cost (3 Parcel Lots)	3.271.735	-	66.517.000	3.271.735	-	49.700.000	28.12.2016
Total	3.271.735	-	66.517.000	14.547.444	-	66.915.000	-

Real Estate Construction Project : The construction license of 63 villas and 1 social facility constructed on an area of 239.466 m² on section 106, parcel 18 in Büyükçekmece Eskiçe District sales contracts have been made for 9 villas as of 31 December 2017 (31 December 2016 - 54 villas).

Land in Büyükçekmece : There are 3 parcels of land with a total area of 622.651 m². As per the valuation report dated 28 December 2016, the expertise value of the company is stated by using sales comparison approach and development approach, the first of which is taken as basis in the study.

As of 31 December 2017, the Company's real estate held for trading have been valued by the valuation company Rehber Gayrimenkul Değerleme Danışmanlık A.Ş. (31 December 2016 - A Artıbir Gayrimenkul Değerleme A.Ş.)



8- INVESTMENT PROPERTIES

Investment properties consist of the following (TL) :

Fair Value	Investment Properties
As of 1 January 2016	363.609.000
Additions	221.682
Net gain from fair value adjustments (Note 18)	59.720.318
Disposals	–
As of 31 December 2016	423.551.000
Additions	812.684
Net gain from fair value adjustments (Note 18)	92.751.316
Disposals	–
As of 31 December 2017	517.115.000

As of 31 December 2017 and 31 December 2016, the total insurance on investment properties is TL 106.492.918 and TL 106.107.609, respectively (Note 26).

31 December 2017 and 31 December 2016, the market values of investment properties are as follows:

31 December 2017		
Name of Real Estate	Date of Expertise Report	Market Value (TL)
Hillside Beach Club Holiday Village	28.12.2017	306.000.000
Etiler Alkent Sitesi – Shops	28.12.2017	28.240.000
Büyükçekmece Alkent 2000 – Shops	28.12.2017	9.740.000
Eyüp Topçular – Factory	28.12.2017	64.910.000
Ankara Çankaya Business Center	28.12.2017	6.897.000
İstanbul Karaköy Business Center	28.12.2017	10.708.000
İstanbul Şişhane Business Center	28.12.2017	8.895.000
Land in Maslak (*)	28.12.2017	81.725.000
Total		517.115.000



Name of Real Estate	Valuation Methods Used	Valuation Method Taken as Basis
Hillside Beach Club Holiday Village	Income Capitalization, Cost analysis	Income Capitalization
Etiler Alkent Sitesi – Shops	Sales Comparison, Income Capitalization	Average
Büyükkçekmece Alkent 2000 Shops	Sales Comparison, Income Capitalization	Average
Eyüp Topçular- Factory	Sales Comparison, Cost Analysis	Average
Ankara Çankaya Business Center	Sales Comparison, Income Capitalization	Average
İstanbul Karaköy Business Center	Sales Comparison, Income Capitalization	Average
İstanbul Şişhane Business Center	Sales Comparison, Income Capitalization	Average
Land in Maslak (*)	Sales Comparison, Development	Average

31 December 2016

Name of Real Estate	Date of Expertise Report	Market Value (TL)
Hillside Beach Club Holiday Village	08.02.2018	265.000.000
Etiler Alkent Sitesi – Shops	28.12.2016	16.268.000
Büyükkçekmece Alkent 2000 – Shops	28.12.2016	7.824.000
Eyüp Topçular – Factory	28.12.2016	43.391.000
Ankara Çankaya Business Center	28.12.2016	5.140.000
İstanbul Karaköy Business Center	28.12.2016	8.493.000
İstanbul Şişhane Business Center	28.12.2016	7.435.000
Land in Maslak (*)	28.12.2016	70.000.000
Total		423.551.000

Name of Real Estate	Valuation Methods Used	Valuation Method Taken as Basis
Hillside Beach Club Holiday Village	Income Capitalization, Cost analysis	Income Capitalization
Etiler Alkent Sitesi – Shops	Sales Comparison, Income Capitalization	Average
Büyükkçekmece Alkent 2000 Shops	Sales Comparison, Income Capitalization	Average
Eyüp Topçular- Factory	Sales Comparison, Cost Analysis	Average
Ankara Çankaya Business Center	Sales Comparison, Income Capitalization	Average
İstanbul Karaköy Business Center	Sales Comparison, Income Capitalization	Average
İstanbul Şişhane Business Center	Sales Comparison, Income Capitalization	Average
Land in Maslak (*)	Sales Comparison, Development	Average



1 January 2016

Name of Real Estate	Date of Expertise Report	Market Value (TL)
Hillside Beach Club Holiday Village	08.02.2018	230.000.000
Etiler Alkent Sitesi – Shops	28.12.2015	14.800.000
Büyükçekmece Alkent 2000 – Shops	28.12.2015	7.000.000
Eyüp Topçular – Factory	28.12.2015	39.681.000
Ankara Çankaya Business Center	28.12.2015	5.025.000
İstanbul Karaköy Business Center	28.12.2015	6.675.000
İstanbul Şişhane Business Center	28.12.2015	6.221.000
Land in Maslak (*)	28.12.2015	54.207.000
Total		303.609.000

Name of Real Estate	Valuation Methods Used	Valuation Method Taken as Basis
Hillside Beach Club Holiday Village	Income Capitalization, Cost analysis	Cost Analysis
Etiler Alkent Sitesi – Shops	Sales Comparison, Income Capitalization	Average
Büyükçekmece Alkent 2000 Shops	Sales Comparison, Income Capitalization	Average
Eyüp Topçular- Factory	Sales Comparison, Cost Analysis	Average
Ankara Çankaya Business Center	Sales Comparison, Income Capitalization	Average
İstanbul Karaköy Business Center	Sales Comparison, Income Capitalization	Average
İstanbul Şişhane Business Center	Sales Comparison, Income Capitalization	Average
Land in Maslak (*)	Sales Comparison, Development	Average

As of 31 December 2017, the investment properties of the Company are valued by A Artıbir Gayrimenkul Değerleme A.Ş. (31 December 2016 - A Artıbir Gayrimenkul Değerleme A.Ş. and Rehber Gayrimenkul Değerleme Danışmanlık A.Ş.(Hillside Beach Club Resort 1 January ve 31 December 2016 revaluation reports).

* Article 24/c of the Capital Markets Board Communiqué Serial III-48.1 “Communiqué regarding the change in the communiqué on principles regarding Real Estate Investment Trusts” published in the Official Gazette dated 28 May 2013 number 28660 promulgates that the rate of lands and registered lands which are in the portfolio, but which in spite of a period of 5 years having elapsed from their acquisition, have not been administered for any project development cannot exceed 20% of the portfolio value. The project development practices related to the land in Maslak continue and the land does not exceed 20% of the total assets of the Company (Note 28).



9- PROPERTY, PLANT AND EQUIPMENTS

As of 31 December 2017, movement of property, plant and equipments consist of the following (TL) :

	Land improvements	Buildings	Plant machinery and equipment	Furniture and fixture	Other tangible fixed assets	Total
Cost Value						
Opening balance as of 1 January 2017	123.365	311	4.216	102.129	27.373	257.394
Disposals (-)	(123.365)	(311)	-	(29.127)	-	(152.803)
Closing balance as of 31 December 2017	-	-	4.216	73.002	27.373	104.591
Accumulated Depreciation						
Opening balance as of 1 January 2017	123.365	311	4.216	48.439	27.373	203.704
Charge for the year	-	-	-	9.462	-	9.462
Disposals (-)	(123.365)	(311)	-	(19.622)	-	(143.298)
Closing balance as of 31 December 2017	-	-	4.216	38.279	27.373	69.868
Carrying value as of 31 December 2017	-	-	-	34.723	-	34.723



As of 31 December 2016, movement of property, plant and equipments consist of the following (TL) :

	Land improvements	Buildings	Plant machinery and equipment	Furniture and fixture	Other tangible fixed assets	Total
Cost Value						
Opening balance as of 1 January 2016	123.365	311	4.216	116.790	27.373	272.055
Additions	-	-	-	2.832	-	-
Disposals (-)	-	-	-	(17.493)	-	(17.493)
Closing balance as of 31 December 2016	123.365	311	4.216	102.129	27.373	257.394
Accumulated Depreciation						
Opening balance as of 1 January 2016	123.365	311	4.216	56.208	27.373	211.473
Charge for the year	-	-	-	9.724	-	9.724
Disposals (-)	-	-	-	(17.493)	-	(17.493)
Closing balance as of 31 December 2016	123.365	311	4.216	48.439	27.373	203.704
Carrying value as of 31 December 2016	-	-	-	53.690	-	53.690

As of 31 December 2017 and 31 December 2016, the total insurance on tangible assets amounts to TL 106.556 and TL 99.417, respectively (Note 26).

Depreciation expenses are included in general administrative expenses.



10- INTANGIBLE ASSETS

As of 31 December 2017, movement of intangible assets consist of the following (TL) :

	Rights	Other intangible assets	Total
Cost Value			
Opening balance as of 1 January 2017	46.444	168.824	215.268
Additions	–	14.816	14.816
Closing balance as of 31 December 2017	46.444	183.640	230.084
Accumulated Amortization			
Opening balance as of 1 January 2017	29.782	126.654	156.436
Charge for the year	9.676	10.566	20.242
Closing balance as of 31 December 2017	39.458	137.220	176.678
Carrying value as of 31 December 2017	6.986	46.420	53.406

As of 31 December 2016, movement of intangible assets consist of the following (TL) :

	Rights	Other intangible assets	Total
Cost Value			
Opening balance as of 1 January 2016	33.334	126.845	160.179
Additions	13.110	41.979	55.089
Closing balance as of 31 December 2016	46.444	168.824	215.268
Accumulated Amortization			
Opening balance as of 1 January 2016	20.264	125.226	145.490
Charge for the year	9.518	1.428	10.946
Closing balance as of 31 December 2016	29.782	126.654	156.436
Carrying value as of 31 December 2016	16.662	42.170	58.832

Amortisation expenses are included in general administrative expenses.

11- PROVISIONS, CONDITIONAL ASSETS AND LIABILITIES

- a) As stated among the Company's inventories, investment properties and fixed asset accounts as of 31 December 2017 and 31 December 2016;

There is a right of easement in relation to the stores in Etiler Alkent Sitesi in Beşiktaş District dated 14 October 1987 nr. 6430 to be utilized on behalf of the Company property



on section 1411, parcel 1 and against that on section 1408, parcel 1 to benefit from central heating facilities; and there is a right of easement for a period of 49 years at a fee of TL 7,72 to construct 1,5 m wide channels in some parts of the heating installations.

Furthermore, there is a personal right of easement for the owners of the property on section 1410 parcel 1 to benefit from the unused parking lot as stated in the project against the same parcel by voucher dated 26 February 1992 nr 784.

- b) The guarantees, sureties, and mortgages given by the Company in the name of its own corporate body are as follows (TL) :

Collateral / pledge / mortgage ("CPM") position given by the Company	31 December 2017	31 December 2016
A. CPMs given for Company's own legal personality	1.702.737	1.953.633
B. CPMs given on behalf of fully consolidated companies	–	–
C. CPMs given in the normal course of business activities on behalf of third parties	–	–
D. Total amount of other CPMs		
i. Total amount of CPMs given on behalf of the parent	–	–
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C	–	–
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C	–	–
Total	1.702.737	1.953.633

As of 31 December 2017 and 2016, the ratio of other given CPM's by the Company to equity is 0%.

- c) The total amount of guarantee letters and notes received by the Company in each period are set out in the table below (TL) :

	31 December 2017	31 December 2016
Guarantee notes received	530.574	1.136.841
Guarantee letters received	617.881	805.796
Total	1.148.455	1.942.637

- d) As of 31 December 2017, there are no significant cases against the company that will cause cash outflows.

12-EMPLOYEE BENEFITS

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women, 60 for men).



The amount payable consists of one month's salary limited to a maximum of TL 4.732,48 for each period of service at 31 December 2017 (31 December 2016: TL 4.297).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 3,74% real discount rate calculated by using 9,50% annual inflation rate and 13,60% discount rate (31 December 2016: 3,55%). Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 100% for employees with 0-15 years of service, and 0% for those 16 or more years of service. Ceiling amount of TL 4.732,48 which is in effect since 31 December 2017 is used in the calculation of Company's provision for retirement pay liability (31 December 2016: 4.297,21 TL).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

Short term provisions consist of the following (TL) :

	31 December 2017	31 December 2016
Payables Arising from Employee Benefits	79.860	77.415
	79.860	77.415

Long term provisions consist of the following (TL) :

Provisions for employee benefits:

	31 December 2017	31 December 2016
Provision for retirement pay provision at the beginning of the period	282.338	228.555
Service cost	25.749	27.839
Interest cost	38.397	24.684
Retirement pay paid	(29.998)	(6.876)
Actuarial (gain) / loss	(6.461)	8.136
Provision for retirement pay provision at the ending of the period	310.025	282.338



Provision for unused leaves:

	31 December 2017	31 December 2016
Provision for unused vacations at the beginning of the period	61.809	56.374
Increase during the period	1.477	5.435
Provision for unused vacations at the end of the period	63.286	61.809

13- OTHER ASSETS AND LIABILITIES

Other current assets consist of the following (TL) :

	31 December 2017	31 December 2016
Prepaid taxes and funds	345.086	233.019
Total	345.086	233.019

14- EQUITY

a) Paid-in Capital

As of 31 December 2017 and 31 December 2016, the Company's registered share capital amounts to TL 20.000.000 while the issued and paid-in capital amounts to TL 10.650.794. The issued capital consists of 1.065.079.400 shares of Kr 1 nominal value each. The Company's shareholding structure is elaborated in Note 1.

b) Capital Adjustment Differences

As of 31 December 2017 and 31 December 2016, the difference arising from restatement of nominal capital amounts to TL 54.712.578 (Note 1).

c) Financial Assets Value Increase Fund

Investment in Alarko Holding A.Ş. is based on the stock price which is the current best bid at the Istanbul Stock Exchange which is expected to approach its fair value as of 31 December 2017 and 31 December 2016. The Company monitors the increases and decreases which arise from fair value recognition under "Accumulated Other Comprehensive Income and Expenses to be Reclassified in Profit or Loss" in the Shareholder's Equity account in the financial statements. Accordingly, there is a value increase of TL 1.782.090 as of 31 December 2017 and a value decrease of TL 778.524 as of 31 December 2016 both of which is stated in the "Accumulated Other Comprehensive Income and Expenses to be Reclassified in Profit or Loss" account (Note 4).

d) Restricted Profit Reserves

As of 31 December 2017, the restricted profit reserves consist of legal reserves amounting to TL 5.214.716 (31 December 2016 – TL 4.202.891).



Legal reserves, which are divided as First Legal Reserve and Second Legal Reserve as per the Turkish Commercial Code, are appropriated as below:

- a) First Legal Reserve: Appropriated out of net profit at the rate of 5% until such reserve is equal to 20% of issued and fully paid capital.
- b) Second Legal Reserve: Appropriated out of net profit at the rate of 10% of distributions after providing for First Legal Reserve and an amount equal to 5% of capital as dividends.

Legal reserves which do not exceed one half of share capital may only be used to absorb losses or for purposes of continuity of the business in times of business difficulties and to prevent unemployment or lessen its effects.

e) Retained Earnings / (Accumulated Losses)

Breakdown of retained earnings / (accumulated losses) is as follows (TL) :

	31 December 2017	31 December 2016
Extraordinary reserves	569.400.307	384.936.809
Prior years' profit	124.049.620	184.463.498
Total	693.449.927	569.400.307

Profit Distribution:

Listed companies processes their profit distributions according to the II-19.1 numbered CMB profit distribution declaration become effective on or after February 1, 2014.

Shareholders distributes their profits within the frame of profit distribution policies determined by general assembly and according to the related declaration by the approval of general assembly. Within the mentioned declaration, minimum rate of distribution is not determined. Companies distribute their profits according to the predetermined terms in their articles of incorporation or profit distribution policies.

The profit for the period stated in the 2016 financial statements amounts to TL 133.207.239 and the first legal reserve made in the prior years reached the defined ceiling; hence the Company shall not make first level legal reserves. A portion of TL 10.650.794 out of the net distributable profit for the period TL 131.791.243 shall be distributed as dividends in cash. Second level legal reserves shall be made in the amount of TL 1.011.825 calculated over the total distributed amount. The balance shall be added to the extraordinary reserves. Dividend distribution shall begin as of 31 May 2017. The dividend distribution process is realized such that the receivables dividends of shares listed at the stock exchange are transferred to the members' bank accounts at Takasbank A.Ş. until 2 June 2017.



15- SALES AND COST OF SALES

Sales revenues consist of the following (TL) :

	1 January 2017 31 December 2017	1 January 2016 31 December 2016
Rental income	22.414.684	18.530.081
Income from real estate sales	18.503.463	5.261.024
Total	40.918.147	23.791.105

Cost of real estate sold (TL) :

	1 January 2017 31 December 2017	1 January 2016 31 December 2016
Cost of real estate sold	10.781.069	2.694.214
Cost of land sold	503.850	86.606
Total	11.284.919	2.780.820

16- GENERAL ADMINISTRATION EXPENSES

General administration expenses consist of the following (TL) :

	1 January 2017 31 December 2017	1 January 2016 31 December 2016
General administration expenses	5.385.225	5.338.706
Total	5.385.225	5.338.706



General administration expenses consist of the following (TL) :

	1 January 2017 31 December 2017	1 January 2016 31 December 2016
Personnel expenses	2.042.587	1.761.904
Taxes, duties, and fees	1.450.738	1.271.345
Outsourced repair work and services	769.078	1.284.909
Lawsuits, execution and notary expenses	450.141	391.773
Rental expenses	76.658	60.187
Bank expenses	45.000	49.352
Legal consultancy expenses	30.973	38.072
Financial consultancy and audit expenses	29.704	20.670
Depreciation and amortisation expenses (Note 9, 10)	25.711	17.129
Other consultancy expenses	14.900	11.940
Publishing house and press expenses	10.860	14.040
Communication expenses	7.633	8.794
Other	431.242	408.591
Total	5.385.225	5.338.706

17- EXPENSES BY NATURE

Depreciation and amortisation expenses consist of the following (TL) :

	1 January 2017 31 December 2017	1 January 2016 31 December 2016
Intangible Assets (Note 10)	20.242	10.946
Property, plant and equipment (Note 9)	9.462	9.724
Total	29.704	20.670

Expenses related to employee benefits consist of the following (TL) :

	1 January 2017 31 December 2017	1 January 2016 31 December 2016
Wages and salaries	1.760.063	1.512.977
Personnel transportation expenses	39.863	34.302
Personnel catering expenses	18.772	26.634
Personnel health expenses	7.709	6.950
Other personnel expenses	216.180	181.041
Total	2.042.587	1.761.904



18-OTHER OPERATING INCOME / (EXPENSES)

Other operating income consists of the following (TL) :

	1 January 2017 31 December 2017	1 January 2016 31 December 2016
Increase on fair values of investment properties (Note 8)	92.751.316	59.720.318
Foreign exchange gains	38.918.028	59.336.629
Interest income	7.142.057	6.689.599
Turkish ministry of environment and forestry Rental Expense	1.793.669	1.474.152
Turkish ministry of environment and forestry Land appropriation	300.949	289.848
Gain on sale of other marketable securities	135.492	66.774
Income from real estate other than rental income	74.773	58.950
Electricity, water, transmission line	11.007	10.601
Provisions no longer required (Note 5)	9.773	20.000
Rediscount interest income	5.262	2.760
Income from maturity differences	—	466
Other	84.384	412.617
Total	141.226.710	128.082.714

Other operating expenses consist of the following (TL) :

	1 January 2017 31 December 2017	1 January 2016 31 December 2016
Foreign exchange losses from operations	10.191.269	6.061.350
Turkish ministry of environment and forestry Rental Provision	2.103.699	1.713.137
Turkish ministry of environment and forestry Adequate Pay	466.655	—
Turkish ministry of environment and forestry Land appropriation	300.949	289.848
Rediscount interest expenses	33.179	5.262
Electricity, water, transmission line	11.007	10.601
Other	199.477	120.019
Total	13.306.235	8.200.217



19- INCOME FROM INVESTING OPERATIONS

Income from investing operations consist of the following (TL) :

	1 January 2017 31 December 2017	1 January 2016 31 December 2016
Dividends received	188.611	158.141
Gain on sale of fixed assets	–	22
Total	188.611	158.163

20- TAX ASSETS AND LIABILITIES

In Turkey, the corporation tax rate for 2017 is 20% (31 December 2016 – 20%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation through addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

Calculation of current period corporation tax is as follows (TL) :

	31 December 2017	31 December 2016
Profit for the year	152.357.089	135.712.239
Other deductions (*)	(152.357.089)	(135.712.239)
	–	–
Tax rate 20% (2016: 20%)	–	–
Current corporate tax provision	–	–

* Due to the Company's REIT status, the income for the current period is stated as other deductions (Note 2 (viii) (i)).

Deferred Tax Assets and Liabilities

Due to the Company's REIT status, no deferred tax calculation has been made as of 31 December 2017 and 31 December 2016 (Note 2 (viii) (i)).



21- EARNINGS PER SHARE

Calculation of earnings / (loss) per share is made as follows :

	31 December 2017	31 December 2016
Profit / (loss) for the year	152.357.089	135.712.239
Weighted average number of ordinary shares for the reporting period (per share of TL 1 nominal value)	10.650.794	10.650.794
Earnings / (loss) per share (TL)	14,3048	12,7420

22- RELATED PARTY DISCLOSURES

a) Balances due from related parties consist of the following (TL) :

	31 December 2017	
Balances with related parties	Receivables Short Term Trade	Payables Short Term Trade
Attaş Alarko Turistik Tesisler A.Ş.	22.004.908	–
Less: Deferred Income	(33.179)	–
Alarko Holding A.Ş.	–	19.973
Alarko Carrier San. ve Tic. A.Ş.	–	1.787
Total (Note 5)	21.971.729	21.760

	31 December 2016	
Balances with related parties	Receivables Short Term Trade	Payables Short Term Trade
Attaş Alarko Turistik Tesisler A.Ş.	16.037.545	–
Less: Deferred Income	(5.262)	–
Alarko Holding A.Ş.	–	41.058
Alarko Carrier San. ve Tic. A.Ş.	–	1.293
Total (Note 5)	16.032.283	42.351



b) Balances due to related parties consist of the following (TL) :

Details of transactions are as follows (TL) :

1 January - 31 December 2017

Transactions with related parties	Goods Purchases	Service Purchases	Other Purchases	Other Sales
Attaş Alarko Turistik Tes. A.Ş.	812.684	165.177	33.179	20.184.723
Alarko Carrier San. ve Tic. A.Ş.	–	–	2.535	688.984
Alarko Holding A.Ş.	14.816	199.074	477.159	–
Total	827.500	364.251	512.873	20.873.707

1 January - 31 December 2016

Transactions with related parties	Goods Purchases	Service Purchases	Other Purchases	Other Sales
Attaş Alarko Turistik Tes. A.Ş.	221.682	–	430.648	15.567.234
Alarko Carrier San. ve Tic. A.Ş.	–	–	3.212	560.475
Alarko Holding A.Ş.	55.089	141.364	412.341	–
Total	276.771	141.364	846.201	16.127.709

As of 31 December 2017 and 31 December 2016, there are no doubtful receivables arising from related parties.

As of 31 December 2017 and 31 December 2016, the salaries and similar remuneration provided to top management amounts to TL 1.306.605 and TL 1.141.903, gross, respectively.

23- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial instruments and financial risk management

Due to the nature of its operations, the Company is exposed to various financial risks including the effects of changes in foreign exchange rates and interest rates on debt and capital market prices. The Company's total risk management program focuses on the unpredictability of financial markets, and aims to minimize its potential negative impact on the Company's financial performance.

Risk management is implemented within the frame of the following policies :

i. Credit Risk

The collection risk of the Company is basically attributed to its trade receivables. Trade receivables are valued by the Company management taking into account the past experiences and the current economic outlook; and they are recognized in the statement of financial position, net, after provisions for doubtful receivables are made when necessary.

As of 31 December 2017, maturity and guarantee structure of the Company's receivables and cash and cash equivalents consist of the following (TL) :

	Receivables					
	Trade Receivables			Other Receivables		
31 December 2017	Related Parties	Other	Related Parties	Other	Deposits at Banks	Cash and Cash Equivalents
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (1) (Note 3, 5 and 6)	21.971.729	150.302	-	24.084	73.566.807	898.686
- Secured portion of the maximum credit risk by guarantees	-	29.343	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (2) (Note 3, 5 and 6)	21.971.729	150.302	-	24.084	73.566.807	898.686
B. Net book value of financial assets that are past due but not impaired (3)	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross amount) (Note 5)	-	-	-	-	-	-
- Impairment (-) (Note 5)	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-

(1) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

(2) No impairment or credit risk is anticipated in relation to the financial assets that are not overdue or impaired

(3) As the overdue financial assets that are not impaired have short term maturities, they are not expected to create impairment loss in the future either.





As of 31 December 2016, maturity and guarantee structure of the Company's receivables and cash and cash equivalents consist of the following (TL) :

	Receivables					
	Trade Receivables			Other Receivables		
	Related Party	Other Party	Related Party	Third Parties	Deposits	Cash and Cash Equivalents
31 December 2016						
Maximum credit risk exposed as of balance sheet date						
(A+B+C+D) (1) (Note 3,5 and 6)	16.032.283	149.229	-	15.788	67.864.943	817.139
- Secured portion of the maximum credit risk by guarantees	-	45.411	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (2) (Note 3,5 and 6)	16.032.283	149.229	-	15.788	67.864.943	817.139
B. Net book value of financial assets that are past due but not impaired (3)	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross amount) (Note 5)	-	9.773	-	-	-	-
- Impairment (-) (Note 5)	-	(9.773)	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-

(1) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

(2) No impairment or credit risk is anticipated in relation to the financial assets that are not overdue or impaired

(3) As the overdue financial assets that are not impaired have short term maturities, they are not expected to create impairment loss in the future either.



As of 31 December 2017 and 31 December 2016, there are no receivables overdue but not impaired.

ii. Liquidity Risk

Liquidity risk arises during funding of the Company operations and management of the open position. Liquidity risk comprises the risk of not funding the operations at an appropriate maturity and rate and also the risk of not liquidating an asset at a reasonable price in an appropriate time frame.

The following table shows the maturity breakdown of the Company's non-derivative short term financial liabilities as of 31 December 2017 and 31 December 2016 (TL):

31 December 2017					
Contract Terms	Carrying Value	Total Contracted Cash Outflows (I+II+III)	Less Than 3 Months (I)	3 to 12 Months (II)	1 to 5 Years (III)
Non-derivative financial liabilities					
Trade payables to related parties (Note 5)	21.760	21.760	21.760	–	–
Other trade payables (Note 5)	2.117.592	2.117.592	2.117.592	–	–
Other payables (Note 6)	4.803.654	4.803.654	3.367.816	–	1.435.838
Total	6.943.006	6.943.006	5.507.168	–	1.435.838
31 December 2016					
Contract Terms	Carrying Value	Total Contracted Cash Outflows (I+II+III)	Less Than 3 Months (I)	3 to 12 Months (II)	1 to 5 Years (III)
Non-derivative financial liabilities					
Trade payables to related parties (Note 5)	42.351	42.351	42.351	–	–
Other trade payables (Note 5)	1.725.000	1.725.000	1.725.000	–	–
Other payables (Note 6)	2.464.299	2.464.299	1.857.990	–	606.309
Total	4.231.650	4.231.650	3.625.341	–	606.309



iii. Market Risk

Market risk is the risk of encountering a fluctuation in the fair value of a financial asset or in future cash flows arising from changes in market prices which may lead to a negative impact on the entity. The standard market risk factors are foreign exchange rates, interest rates, and commodity prices.

iv. Foreign Currency Risk

Foreign currency risk stems from the change in the value of a financial instrument depending on a change in foreign exchange rate. The Company may face foreign currency risk because of its foreign currency denominated receivables and payables. The Company continuously monitors the said risk and takes the necessary precautions. The main foreign currencies constituting the said risk are USD and EURO.

Foreign Currency Position

On totals basis;

	31 December 2017	31 December 2016
A. Foreign currency assets	397.601.202	337.092.902
B. Foreign currency liabilities	748.145	586.278
Net foreign currency position (A-B)	396.853.057	336.506.624



Foreign Currency Position

Breakdown on foreign currency basis;

31 December 2017

	TL Amount (Functional Currency)	US Dollar	Euro
1. Trade Receivables	20.178.058	5.349.574	–
2a. Monetary Financial Assets	377.423.144	91.780.137	6.917.870
2b. Non-Monetary Financial Assets	–	–	–
3. Other	–	–	–
4. Current Assets	397.601.202	97.129.711	6.917.870
5. Trade Receivables	–	–	–
6a. Monetary Financial Assets	–	–	–
6b. Non-Monetary Financial Assets	–	–	–
7. Other	–	–	–
8. Non-Current Assets	–	–	–
9. Total Assets	397.601.202	97.129.711	6.917.870
10. Trade Payables	–	–	–
11. Financial Liabilities	–	–	–
12.a Monetary Other Liabilities	–	–	–
12.b Non-Monetary Other Liabilities	–	–	–
13. Current Liabilities	–	–	–
14. Trade Payables	–	–	–
15. Financial Liabilities	–	–	–
16.a Monetary Other Liabilities	748.145	198.347	–
16.b Non-Monetary Other Liabilities	–	–	–
17. Non-Current Liabilities	748.145	198.347	–
18. Total Liabilities	748.145	198.347	–
19. Net Foreign Currency Assets / Liabilities Position (9-18)	396.853.057	96.931.364	6.917.870
20. Monetary Items Net Foreign Currency Assets / Liabilities Position (1+2a+5+6a-10-11-12a-14-15-16a)	396.853.057	96.931.364	6.917.870



Foreign Currency Position

Breakdown on foreign currency basis;

31 December 2016

	TL Amount (Functional Currency)	US Dollar	Euro
1. Trade Receivables	14.558.131	4.136.773	–
2a. Monetary Financial Assets	322.534.771	84.459.598	6.820.819
2b. Non-Monetary Financial Assets	–	–	–
3. Other	–	–	–
4. Current Assets	337.092.902	88.596.371	6.820.819
5. Trade Receivables	–	–	–
6a. Monetary Financial Assets	–	–	–
6b. Non-Monetary Financial Assets	–	–	–
7. Other	–	–	–
8. Non-Current Assets	–	–	–
9. Total Assets	337.092.902	88.596.371	6.820.819
10. Trade Payables	–	–	–
11. Financial Liabilities	–	–	–
12.a Monetary Other Liabilities	–	–	–
12.b Non-Monetary Other Liabilities	–	–	–
13. Current Liabilities	–	–	–
14. Trade Payables	–	–	–
15. Financial Liabilities	–	–	–
16.a Monetary Other Liabilities	586.278	166.594	–
16.b Non-Monetary Other Liabilities	–	–	–
17. Non-Current Liabilities	586.278	166.594	–
18. Total Liabilities	586.278	166.594	–
19. Net Foreign Currency Assets / Liabilities Position (9-18)	336.506.624	88.429.777	6.820.819
20. Monetary Items Net Foreign Currency Assets / Liabilities Position (1+2a+5+6a-10-11-12a-14-15-16a)	336.506.624	88.429.777	6.820.819



Foreign currency position sensitivity analysis as of 31 December 2017 and 31 December 2016 is as follows (TL) :

	31 December 2017		31 December 2016	
	Profit / Loss		Profit / Loss	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
	In case of US Dolar changes in 10% against TL			
1- US Dollar net asset / liability	36.561.541	(36.561.541)	31.120.207	(31.120.207)
2- US Dollar hedges (-)	-	-	-	-
3- Net effect of US Dollar (1 +2)	36.561.541	(36.561.541)	31.120.207	(31.120.207)
	In case of Euro increases in 10% against TL			
4- Euro net asset / liability	3.123.764	(3.123.764)	2.530.455	(2.530.455)
5- Euro hedges (-)	-	-	-	-
6- Net effect of Euro (4+5)	3.123.764	(3.123.764)	2.530.455	(2.530.455)
Total (3+6)	39.685.305	(39.685.305)	33.650.662	(33.650.662)

v. Interest Risk

The Company's activities are exposed to interest rate risk due to the differences in payment date and payment amounts or restructuring of interest sensitive assets and liabilities. Corresponding interest rate risk is managed by natural measures aimed to balance assets and liabilities having interest rate sensitivity.

As of 31 December 2017 and 31 December 2016, the Company does not have significant financial assets with interest sensitivity.

vi. Share Price Risk

The Company is exposed to stock price risk which is the risk of encountering price changes in securities included in the Company portfolio. As of 31 December 2017, if there is a 10% increase/decrease in the best bid among current orders pending at the Istanbul Stock Exchange which are used in valuation of these securities with other variables remaining constant, the Company's equity will be higher/lower by a total of TL 441.569 net, without any effect in profit / loss (31 December 2016 – TL 263.360) (Note 4).



vii. Capital Risk Management

For proper management of capital risk, the Company aims ;

- to maintain continuity of operations so as to provide earnings to partners and benefits to other shareholders, and
- to increase profitability through determining a product and service pricing policy that is commensurate with the level of risks inherent in the market.

The Company determines the amount of share capital in proportion to the risk level. The equity structure of the Company is arranged in accordance with the economic outlook and the risk attributes of assets.

The Company monitors capital management by using the debt / equity ratio. This ratio is calculated by dividing the debt, net, by the total share capital. The net debt is calculated by deducting the value of cash and cash equivalents from the total debt (the sum of short and long term liabilities stated in the statement of financial position). The total share capital is the sum of all equity items stated in the statement of financial position.

There's basically no change in the Company's general strategy with respect to the previous year. As of 31 December 2017 and 31 December 2016, the ratio of the total equity to net debts is as follows:

	31 December 2017	31 December 2016
Total Borrowings	7.436.636	4.682.508
Less: Cash and Cash Equivalents	(74.465.493)	(68.682.082)
Net Debt	(67.028.857)	(63.999.574)
Total Equity	919.527.897	776.033.051
Total Capital	852.499.040	712.033.477
Net Debt / Equity Ratio	% 0	% 0



24-FINANCIAL INSTRUMENTS (Fair Value Disclosures and Explanations on Hedge Accounting)

31 December 2017	Loans and receivables (including cash and cash equivalents)	Financial assets held for sale	Financial liabilities at amortized cost	Carrying Value	Note
Financial assets					
Cash and cash equivalents	74.465.493	–	–	74.465.493	3
Trade receivables	150.302	–	–	150.302	5
Due from related parties	21.971.729	–	–	21.971.729	5
Other receivables	24.084	–	–	24.084	6
Other financial assets	–	4.417.029	–	4.417.029	4
Financial liabilities					
Trade payables	–	–	(2.117.592)	(2.117.592)	5
Due to related parties	–	–	(21.760)	(21.760)	5
Other financial liabilities	–	–	(4.803.654)	(4.803.654)	6
Financial assets					
31 December 2016					
Financial assets					
Cash and cash equivalents	68.682.082	–	–	68.682.082	3
Trade receivables	149.229	–	–	149.229	5
Due from related parties	16.032.283	–	–	16.032.283	5
Other receivables	15.788	–	–	15.788	6
Other financial assets	–	2.634.939	–	2.634.939	4
Financial liabilities					
Trade payables	–	–	(1.725.000)	(1.725.000)	5
Due to related parties	–	–	(42.351)	(42.351)	5
Other financial liabilities	–	–	(2.464.299)	(2.464.299)	6

Financial Instruments

Financial instruments comprise financial assets and financial liabilities. Financial instruments may create / affect / decrease liquidity risk, credit risk and stock market risk in the financial statements of the Company. All financial assets are reviewed to prevent impairment risk.

Fair value is the value of an asset or liability in an arms length transaction between knowledgeable and willing parties.



The Company has determined the fair value of its financial instruments by using current market information at present and by using appropriate valuation methods. However, assessing market information and forecasting actual values requires judgment. The forecasts presented as a conclusion may not always represent the values that are acquired by the Company in current market transactions.

Methods and assumptions used to estimate the fair value of financial instruments are as follows :

Financial Assets

Balances denominated in foreign currency are translated by using the exchange rates valid at the balance sheet date. It is foreseen that these balances are close to their carrying values. The fair values of certain financial assets, which also include cash and cash equivalents, are considered to approximate their carrying values due to their short term nature.

The carrying values of trade receivables along with the related allowances for uncollectability are estimated to represent their fair values.

The fair values of investments held to maturity are calculated by deducting impairment losses, if any, from the cost values amortized by the effective interest method.

The fair values of financial assets which are available for sale and traded in active markets correspond to the best bid among current orders pending at the balance sheet date. The fair values of financial assets available for sale which are not traded in active markets cannot be determined reliably; hence, they are assumed to be equivalent to their restated cost values.

Financial Liabilities

Trade payables have been presented at their fair values.

The fair value of financial assets and liabilities are determined as follows:

Level 1: Fair value of financial assets and liabilities is measured at quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value of financial assets and liabilities is measured at prices other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value of financial asset and liabilities is measured using inputs that are not based on observable inputs of the active markets.

The hierarchical levels of the assets and liabilities stated at fair value are as follows :



Fair value level as of reporting period

Fair value as at 31 December 2017

	31 December 2017	Level 1 TL	Level 2 TL	Level 3 TL
Financial Assets				
Financial assets held for sale	4.415.690	4.415.690	–	–
Investment properties	517.115.000	–	517.115.000	–

Fair value as at 31 December 2016

	31 December 2016	Level 1 TL	Level 2 TL	Level 3 TL
Financial Assets				
Financial assets held for sale	2.633.600	2.633.600	–	–
Investment properties	423.551.000	–	423.551.000	–

25-SEGMENT REPORTING

The main activity of the Company is to engage in the purposes and subjects stated in the regulations of the Capital Markets Board on real estate investment trusts. In this context, the Company engages in the investment such as investment in real estate, real estate projects and capital market instruments. Due to the same legislation affecting the operations of the Company, no separate financial information regularly reviewed by the competent authority to make decisions regarding activities and since the Company operates in a single geographical area, segment reporting has not been reported in the accompanying financial statements in accordance with TFRS 8.

26-EVENTS AFTER THE REPORTING PERIOD

The Company's Management has decided to make valuation of Mosalarko OJSC that operates in the Russia. Purchase of 10% shared of Mosalarko OJSC will be decided according to conclusion of the valuation report.

It has been decided to distribute TL 15.337.144 dividend in cash from distributable profit TL 152.357.089 to the shareholders with the Board of Directors decision dated 23 February 2018 No:366.



27-DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE

Insurance totals of assets for the respective periods are as follows (Notes 7,8 and 9) ;

	31 December 2017	31 December 2016
Inventories (Note 7)	–	39.499.444
Investment properties (Note 8)	106.492.918	106.107.609
Property, plant and equipment (Note 9)	106.556	99.417
Total	106.599.474	145.706.470

28- SUPPLEMENTARY NOTES: MONITORING COMPLIANCE WITH PORTFOLIO RESTRICTIONS

As of 31 December 2017 and 31 December 2016, compliance with portfolio restrictions is monitored as follows:



	Main Account Items of Unconsolidated / Separate Financial Statements	Related Regulation	Current Year (TL) 31 December 2017	Prior Year (TL) 31 December 2016
A	Money Market and Capital Market Instruments	Art. 24/(b)	383.810.649	326.040.276
B	Real estates, real estate projects and rights supported by real estates	Art. 24/(a)	520.386.735	438.098.444
C	Affiliates	Art. 24/(b)	1.339	1.339
	Due from Related Parties (Non-Trade)	Art. 23/(f)	-	-
	Other Assets		22.765.810	16.575.500
D	Total Assets	Art. 3/(p)	926.964.533	780.715.559
E	Financial Liabilities	Art. 31	-	-
F	Other Financial Liabilities	Art. 31	-	-
G	Lease Obligations	Art. 31	-	-
H	Due to Related Parties (Non-Trade)	Art. 23/(f)	-	-
I	Equity	Art. 31	919.527.897	776.033.051
	Other Liabilities		7.436.636	4.682.508
D	Total Liabilities and Equity	Art. 3/(p)	926.964.533	780.715.559
	Other Financial Informations Related with Unconsolidated Financial Statements	Related Regulation	Current Year (TL) 31 December 2017	Prior Year (TL) 31 December 2016
A1	Part of Money Market Instruments and Capital Market Instruments Held for Real Estates (3 Years)	Art. 24/(b)	-	-
A2	Time and Demand Deposits in TL/ Foreign Currency	Art. 24/(b)	73.566.807	67.864.943
A3	Foreign Capital Market Instruments	Art. 24/(d)	-	-
B1	Real estates, real estate projects and rights supported by real estates	Art. 24/(d)	-	-
B2	Lands Held Idle	Art. 24/(c)	84.996.735	73.271.735
C1	Foreign Investments	Art. 24/(d)	-	-
C2	Participation in the Operating Company	Art. 28/1(a)	1.339	1.339
J	Non-cash Loans	Art. 31	1.702.737	1.953.633
K	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(e)	-	-
L	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	4.415.690	2.633.600

	Portfolio Limitations	Related Regulation	Current Year 31 December 2017	Prior Year 31 December 2016	Ratio of Minimum/ Maximum
1	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(e)	0,00 %	0,00 %	≤ 10 %
2	Real estates, real estate projects and rights supported by real estates	Art. 24/(a),(b)	56,14 %	56,11 %	≥ 51 %
3	Money Market and Capital Market Instruments and Subsidiaries	Art. 24/(b)	41,41 %	41,76 %	≤ 49 %
4	Real estates, real estate projects and rights supported by real estates, Subsidiaries, Capital Market Instruments	Art. 24/(d)	0,00 %	0,00 %	≤ 49 %
5	Lands Held Idle	Art. 24/(c)	9,17 %	9,39 %	≤ 20 %
6	Participation in the Operating Company	Art. 28/1 (a)	0,00 %	0,00 %	≤ 10 %
7	Borrowing Limit	Art. 31	0,19 %	0,25 %	≤ 500 %
8	Time and Demand Deposits in TL/ Foreign Currency	Art. 24/(b)	7,94 %	8,69 %	≤ 10 %
9	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	0,48 %	0,34 %	≤ 10 %



As promulgated by the Communiqué Serial: III, No: 48.1 issued in the Official Gazette dated 28.05.2013, the Article 24(c) of the “Communiqué on Principles Regarding Real Estate Investment Trusts” states that “The rate of lands and registered lands which are in the portfolio but which, in spite of a period of five years having elapsed from their acquisition, have not been administrated for any project development cannot exceed 20% of the total assets.” As per the financial statements as of 31 December 2017, the ratio of the Company’s plots of land to the total assets is 9,17% which is a rate that falls within the limit stated in the Communiqué.

Further to the above, the Article 24(a) of the Communiqué Serial: III No: 48.1 on the “Principles Regarding Real Estate Investment Trusts” is stated as follows: “REICs are required to invest in real estate, rights supported by real estate, and real estate projects at a minimum rate of 51% of their portfolio values”. As per the financial statements of 31 December 2017, this rate is 56,14% and stays within the limits introduced by the Communiqué.

Further, the Article 24(b) of the Communiqué Serial: III No: 48.1 on the “Principles Regarding Real Estate Investment Trusts” is stated as follows: “REICs can invest in the assets stated in Article 22.1(k) and the investments stated in Article 28 of the Communiqué up to a maximum of 49% of the portfolio value.” As per the financial statements of 31 December 2017, this rate is 41,41% and stays within the limits introduced by the Communiqué.

The article 24 (b) of the said communiqué promulgates that “The companies can invest in time deposit and demand deposits in Turkish Liras or any foreign currency for investment purposes at a maximum rate of 10% of their total assets”. In the 31 December 2017 financial statements, this rate is 7,94% and stays within the limits introduced by the Communiqué.

The borrowing limit and the rates of participation in the operating company are also contained within the said limits. There are no other portfolio limitations.

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